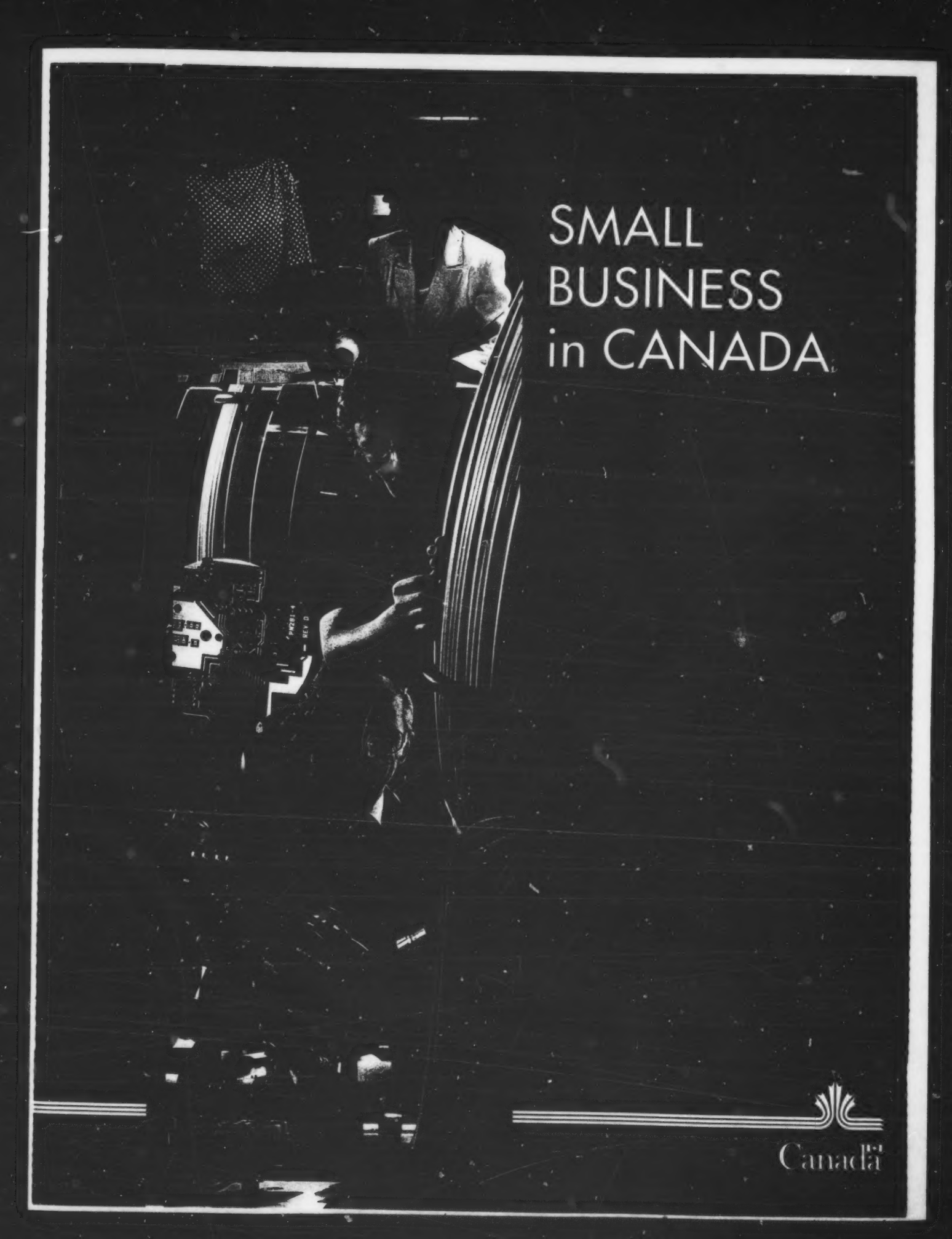


SMALL BUSINESS in CANADA

Canada

92-02137/

Prepared by the Entrepreneurship and Small Business Office of Industry, Science and Technology Canada with the assistance of the following departments, agencies and Crown corporations:

Atlantic Canada Opportunities Agency
Canadian International Development Agency
Employment and Immigration Canada
External Affairs and International Trade Canada
Federal Business Development Bank
Multiculturalism and Citizenship Canada
National Research Council Canada
Statistics Canada
Supply and Services Canada
Western Economic Diversification Canada

© Minister of Supply and Services

Cat. No. C28-1/2-1991E
ISBN no. 0-662-19162-5

Disponible en français.
PU 0217-91-01

Printed in Canada

SMALL BUSINESS in CANADA 1991

From Best Practice To Competitiveness

Table of Contents

A MESSAGE FROM THE HONOURABLE TOM HOCKIN i

SECTION 1

The State of Small Business in Canada

Introduction 2

Small Business in the Economy 3

Recent Small Business Trends 4

Some Small Business Practices 12

SECTION 2

Best Practices in Small Firms

Best Practices and Competitiveness 16

Serving Customers 18

Relations with Suppliers 27

Employees as Stakeholders 35

Partnering 42

SECTION 3

Government Support of Best Practices

Finding Customers 48

Becoming a Better Supplier 49

Finding Suppliers 50

Employees 51

CONCLUSION 54

FUTURE CHALLENGES 51

Appendix:
Sources of Assistance 57

Minister's Introduction

This is the third Report to Parliament on the State of Small Business in Canada. It is part of an ongoing commitment to Parliament and to the small business community that I have made as Minister of State (Small Businesses and Tourism).

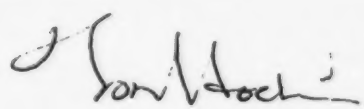
The purpose of this report is to describe the situation of Canada's small- and medium-sized enterprises. Readers will find that Canadians continue to be an entrepreneurial people and that small businesses continue to make a significant contribution to job creation and wealth generation in this country.

That is what the data tell us. Over the past three years, however, this report has evolved into something more than just a quick snapshot of current statistics. Readers will certainly find facts in this report, but they will also find people. The report is rich in profiles and examples of the entrepreneurial men and women who run Canada's small- and medium-sized businesses. These entrepreneurs offer examples of the kind of innovative energy that is the foundation of business success. They are people who, in their drive for quality and competitive advantage, have adopted practices that have propelled their companies toward growth and prosperity.

This report focuses on some of these best practices. Many outstanding Canadian small- and medium-sized companies serve as models to the rest of the small business community. This report has gathered examples of how the most successful firms solve their business challenges and become competitive at home and abroad.

A common theme running through many of the best practices presented here is that most have forged new collaborative business relationships. True competitiveness depends on working closely with customers, suppliers, employees, as well as other organizations and institutions. This stands in marked contrast to more traditional views of competitiveness that saw it largely in adversarial terms. As this report suggests, the truly competitive companies are those that have learned how to co-operate to achieve their objectives.

The logic of current trends suggests that today's best practices will be tomorrow's competitive imperatives. Business techniques that are successful today will establish benchmarks that define the competitive environment of the future. Other companies wishing to position themselves in anticipation of that future can learn from what our more dynamic small businesses are doing today. And they can count on this Government to support them.

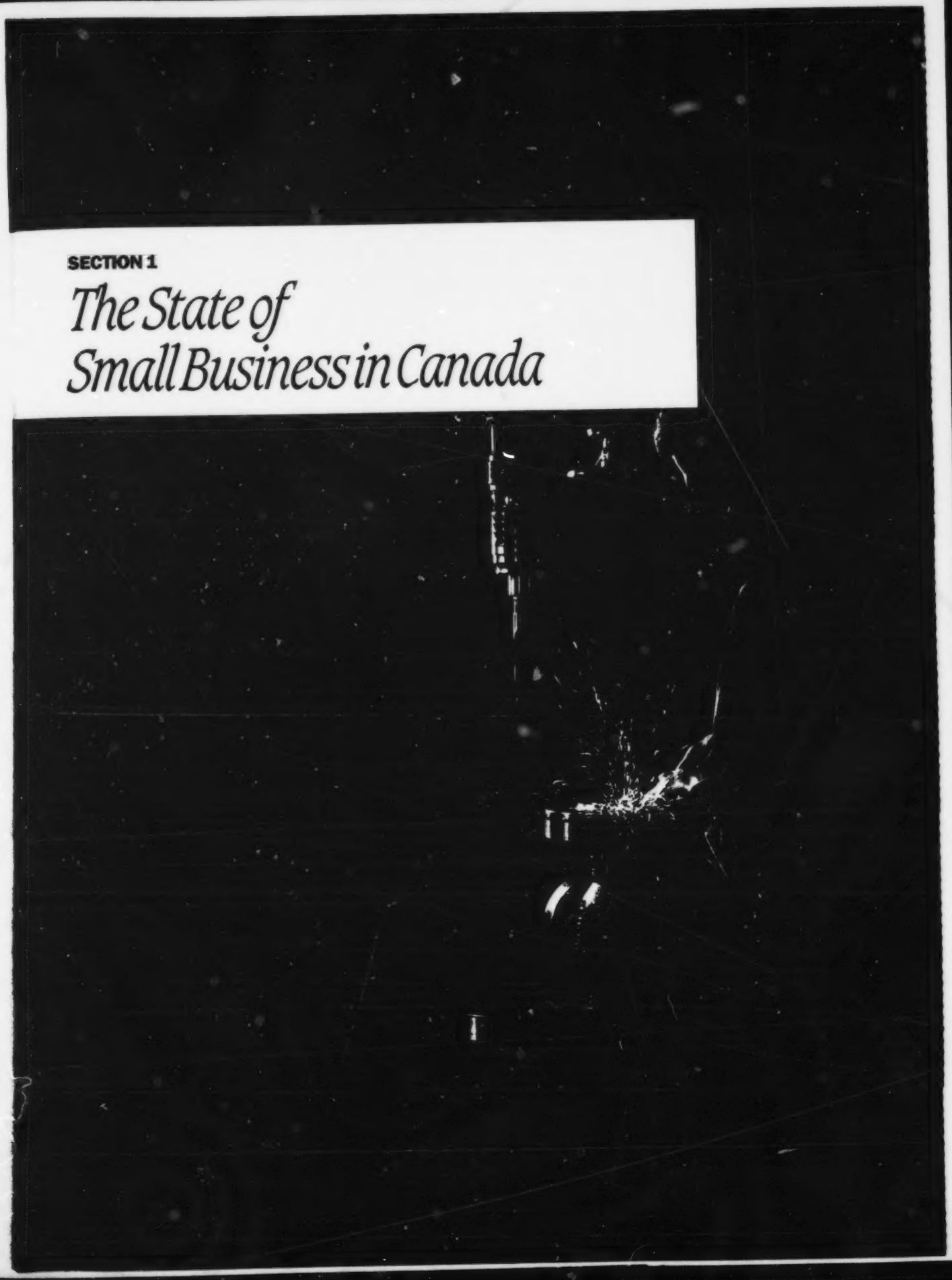


The Honourable Tom Hockin
Minister of State
(Small Businesses and Tourism)

Entrepreneurship

SECTION 1

The State of Small Business in Canada



Introduction

This, the third report of the federal government on the state of small business in Canada, offers further evidence of the dynamism in Canadian small business. Small business has always been important in Canada but its significance has increased strikingly since the late 1970s as growing numbers of Canadians have established new businesses, created new jobs and contributed to the total wealth of the country. As a result, small business has achieved a distinctive and vital place for itself in the Canadian economy.

The 1990 report on the state of small business in Canada stressed the importance of encouraging growth in small firms. Growth was seen as strengthening companies so they could more easily survive the rigours of a highly competitive international economy from which no country and no company can long remain isolated.

This report describes some of the practices that can help companies achieve growth and competitiveness. While best practices apply across a broad spectrum of business issues, it focuses on the way that successful small businesses have secured a competitive advantage for themselves through new types of co-operative relationships with customers, suppliers, employees, and other organizations and institutions.

The report also describes the ways in which the federal government helps small businesses develop such relationships. Despite past success in encouraging small business activity, the government recognizes that its efforts to enhance small business competitiveness must continue and be intensified.

As is now traditional, the report begins with an overview of Canadian small business performance. The data presented in this section cover the decade between 1979 and 1989. During this period, small businesses steadily increased their overall contribution to the economy. In addition, they successfully weathered the severe recession of 1981–82 and emerged stronger and more resilient than before. The past decade has shown that small business is able to survive economic change and that it now occupies an enduring position in the Canadian economy. This evidence of steady growth in the small business sector suggests that small business will prove equally successful in meeting the challenges posed by the 1990–91 recession.

Small Business in the Economy

As defined in this report, the term "small business" includes any firms with fewer than 100 paid employees in the manufacturing sector and fewer than 50 paid employees in all other sectors. A definition of size based on employment provides a consistent basis from which comparisons can be made. In some specific cases, however, data are based on small businesses with less than $5 million in annual revenues.

In 1989, there were 932 396 businesses registered in Canada, an increase of three percent over the previous year and an increase of 49 percent since 1979. Of the total number of businesses registered in Canada in 1989, 906 592 (97.2 percent) had fewer than 50 employees, and 920 142 (98.7 percent) had fewer than 100. As Figure 1.1 shows, if the self-employed are included, just over 47.1 percent of all working Canadians were employed in enterprises with fewer than 100 workers and almost 40 percent of them worked for companies with fewer than 50 employees. In terms of private-sector payrolls, companies with fewer than 100 employees accounted for 37.3 percent

Figure 1.1
Small Business Share of Employment,* 1979 and 1989 *(in percent)*

* Including self-employed, excluding public administration.

Source: Entrepreneurship and Small Business Office (ESBO), Industry, Science and Technology Canada (ISTC).

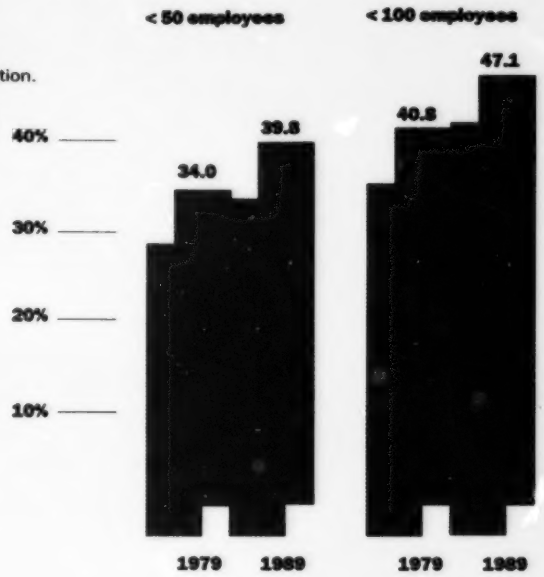


Figure 1.2
Trends in Small Business* Share of Total Business Sales, Profits and Assets, 1986, 1987, 1988 *(in percent)*

* Businesses with less than $5 million in annual revenues.
Source: ESBO, ISTC.

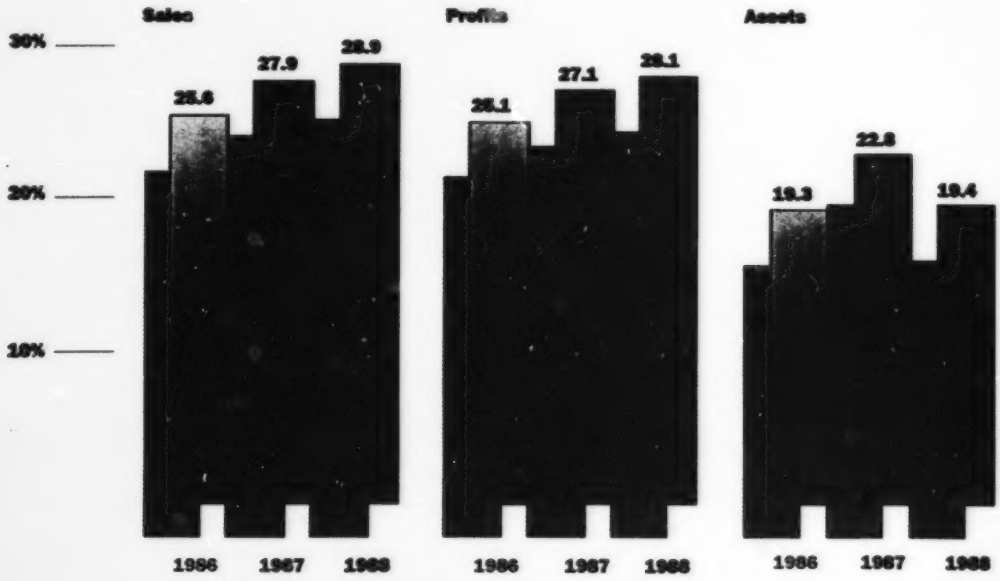
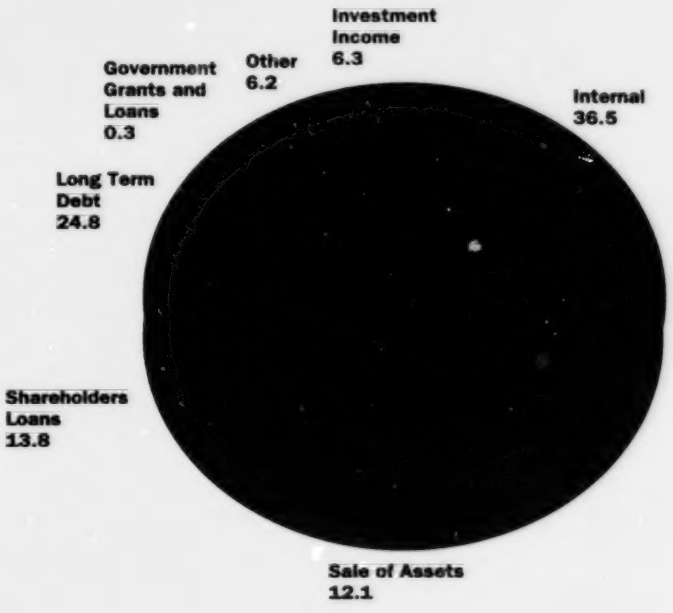
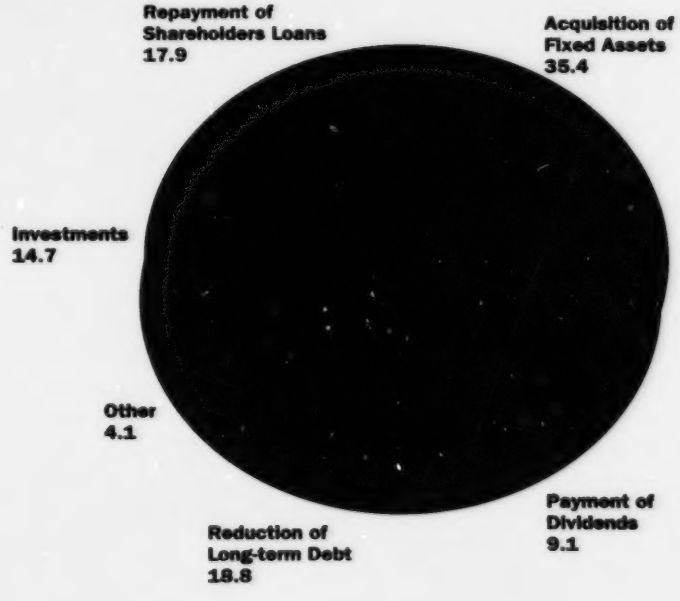


Figure 1.3
Sources and Applications of Funds of Incorporated Businesses*, 1989 *(percent)*
* with less than $5 million in annual revenues
Source: Statistics Canada

SOURCES



APPLICATIONS



of the value of all payrolls and firms with less. than 50 employees accounted for 29.8 percent. This represented increases from 33.5 percent and 26.5 percent respectively in 1979.

While small business accounts for a significant and growing share of employment in Canada, perhaps the clearest signal of its importance to the economy is seen in its contribution to new job creation. *In the period between 1979 and 1989, small businesses with fewer than 50 employees created 81percent of all the net new jobs in Canada — a total of more than 2.1 million jobs.* Clearly, in terms of both jobs and payrolls, small businesses are vital to Canada's economy.

In 1988, small businesses accounted for 28.9 percent of all business sales in Canada, a share that has risen steadily through the 1980s (see Figure 1.2). Small businesses accounted for 28.1 percent of all business profits generated in Canada in 1988, a share that has also continued to rise. By contrast, the small business share of corporate assets remained around the 20 percent mark.

The significant small business contribution to the economy is largely self-financed. Figure 1.3 shows that more than half the financing for small businesses comes from internal operations, the sale of assets and investments. External sources of financing are less prominent: long-term debt accounts for only about one quarter of small business financing and shareholder investment brings in less than one seventh. In terms of the way that small businesses used their available funds, Figure 1.3 shows that more than a third was spent on the acquisition of fixed assets, suggesting a strong impetus to keep growing.

Recent Small Business Trends

Start-ups and Exits

Canadian small business is characterized by a continuous ebb and flow. As new businesses are created, others disappear because owners retire, mergers are effected, or difficulties force closure. In 1989, there were 165 980 new businesses registered in Canada but 140 054 disappeared for a net increase of 25 926 over the total in 1988 (see Figure 1.4). That increase, however, was the smallest net gain in the absolute number of registered businesses since 1983 – 84, suggesting something of the increasingly challenging economic environment

that heralded the onset of the 1990 – 91 recession. The general trend, however, is clear. The total number of small businesses registered in Canada has been rising steadily over the past decade.

Regional Distribution

Small businesses are a vibrant part of every provincial and territorial economy in Canada. Predictably, each region's share of the total varies in accordance with its population and economic structure (see Figure 1.5). However, Ontario has a relatively smaller proportion of Canada's small businesses than its 36 percent of the Canadian population, while British Columbia hosts proportionately more than its 11.5 percent of the population. The regional distribution of small businesses has remained relatively constant over the past decade.

Trends over the decade between 1979 and 1989 provide a telling indication of the shifting role played by small firms in Canada's regional economies. This is particularly noticeable in Newfoundland and Prince Edward Island where rates of new business registrations are well ahead of those in other provinces (see Figure 1.6).

The number of businesses registered per 1 000 of the population is another way of measuring the intensity of entrepreneurial dynamism. The Canadian average in 1989 was 35.6 businesses per 1 000 people, up significantly from only 26.4 in 1979. In 1979 as in 1989, the greatest numbers of businesses relative to population size are to be found in the

Figure 1.4
Business* Start-ups and Exits, 1979 – 1989
* Excludes public administration.
Source: ESBO, Statistics Canada.

	Start-ups	*Exits*	*Net Increase*
1979 – 80	127 105	92 816	**34 289**
1980 – 81	134 769	95 996	**38 773**
1981 – 82	119 126	106 653	**12 473**
1982 – 83	145 154	102 251	**42 903**
1983 – 84	138 547	117 371	**21 176**
1984 – 85	152 213	110 520	**41 693**
1985 – 86	152 472	122 828	**29 644**
1986 – 87	161 285	127 085	**34 200**
1987 – 88	161 931	135 394	**26 537**
1988 – 89	165 980	140 054	**25 926**

Figure 1.5
Regional Distribution of Canadian Small Businesses, 1979 and 1989 *(in percent)**
* Total may not add to 100 percent due to rounding and because some businesses are counted in more than one province.
Source: ESBO, Statistics Canada.

	1979	*1989*
Newfoundland	1.8	2.3
Prince Edward Island	0.7	0.7
New Brunswick	3.0	2.9
Nova Scotia	3.4	3.4
Quebec	25.2	25.2
Ontario	35.4	34.6
Manitoba	4.4	3.9
Saskatchewan	4.6	4.7
Alberta	11.2	11.2
B.C.	14.4	14.3
Yukon/N.W.T.	0.4	0.3

Yukon, Prince Edward Island, and Canada's three westernmost provinces (see Figure 1.7). Starting from behind in 1979, Newfoundland pulled ahead of central Canada a decade later. By contrast, Manitoba, the Northwest Territories and Ontario have the lowest rates of business intensity.

Sectoral Trends

A look at trends by sector over the decade between 1979 and 1989 provides additional insights. Not surprisingly, the largest proportion of businesses with fewer than 100 employees is to be found in the business service sector

Figure 1.6
Change in Number of Businesses Registered between 1979 and 1989
Source: ESBO, Statistics Canada.

	1979	*1989*	*% Change*
Newfoundland	11 468	21 075	**83.8**
Prince Edward Island	4 347	6 984	**60.7**
Nova Scotia	21 299	31 451	**47.7**
New Brunswick	18 478	27 209	**47.3**
Quebec	157 229	234 695	**49.3**
Ontario	221 029	322 214	**45.8**
Manitoba	27 225	36 331	**33.4**
Saskatchewan	28 963	44 049	**52.1**
Alberta	70 249	104 439	**48.7**
British Columbia	90 281	133 373	**47.7**
Northwest Territories	1 246	1 792	**43.8**
Yukon	1 018	1 429	**40.4**
Canada	625 080	932 396	**49.2**

(see Figure 1.8). Small businesses are also prominent in retail trade and construction. Between 1979 and 1989, the highest absolute numbers of business start-ups as well as the highest percentages of all business start-ups were found in these same sectors. The lowest start-up rates were recorded in mining. In general, this distribution of start-ups is consistent with the ongoing expansion of the service portion of our economy and the contraction of more traditional extractive industries.

Figure 1.7
Number of Businesses per 1 000 of Population, 1979 and 1989
Source: ESBO, Statistics Canada

Examining business registrations and survival rates by sector offers another way of looking at small business activity. Figure 1.9 expresses the number of new business registrations in each sector as a percentage of the number of businesses in that sector in 1979. It also presents a sectoral "snapshot" of the businesses created in 1979 as they appeared by 1989. Business and personal services showed very high start-up rates, as did primary industries (mostly farms). The same sectors, however, displayed relatively low long-term survival rates, suggesting some volatility in these sectors. By contrast, wholesale trade and manufacturing were among those sectors with relatively few new registrations, though above average survival rates.

A separate category is community service which has relatively low start-up rates but high survival rates. This is explained by the fact that most of the enterprises in this sector are hospitals, schools, and other publicly funded institutions, and not private-sector businesses. It should be added that not all of the businesses that disappeared between 1979 and 1989 did so because of failure. Many businesses were sold to or merged with others. Some were wound up because the owners retired.

A Sectoral Perspective on Jobs and Job Creation

As has been noted, the creation of new jobs is one of the key contributions made by small businesses to the Canadian economy. The small business impact on employment varies considerably from sector to sector. Small businesses with fewer than 100 employees account for more than half of the jobs in primary industries (mostly agriculture), construction, business services, wholesale trade and retail trade. They are least prominent in capital-intensive businesses such as mining and community services (see Figure 1.10).

Fewer net new jobs were created in 1988–89 than in the previous year (see Figure 1.11). The business and personal service sector continued to be the biggest creator of jobs with community services close behind. As the

Figure 1.8
Small Business Start-ups by Sector, 1979–1989

Excludes public administration.
Source: ESBO, Statistics Canada.

	Sector Share of Businesses with <100 Employees (percent)	*No. of Starts 1979–89*	*% of Total*
Primary	7.9	51 304	7.74
Mining	0.6	3543	0.53
Manufacturing	6.1	35 645	5.38
Construction	11.9	77 293	11.66
Transportation/Communications	4.2	27 236	4.11
Wholesale Trade	5.8	33 468	5.05
Retail Trade	15.9	101 871	15.37
Finance/Insurance/Real Estate	6.3	39 325	5.93
Community Services	8.4	44 192	6.67
Business and Personal Services	27.0	194 179	29.30
Unclassified	6.0	54 674	8.26
Total Private Sector	**100.0**	**662 730**	**100.00**

Figure 1.9
Business Birth and Survival Rates to 1989 Taken as a Percentage of the 1979 Base

Births are new firms started since 1979.
Survival indicates firms existing in 1979 and still in existence in 1989.
Source: ESBO, Statistics Canada.

	Births	*Survival*
Primary	103.7	43.3
Mining	89.4	48.1
Manufacturing	82.3	52.5
Construction	95.6	40.3
Transportation/Communications	97.9	43.2
Wholesale Trade	79.6	49.5
Retail Trade	88.1	39.5
Finance/Insurance/Real Estate	95.4	46.9
Community Services	87.7	70.2
Business and Personal Services	129.6	38.0
Unclassified	—	—
Total Private Sector	**106.0**	**43.1**

country moved into recession, however, the manufacturing sector dropped from being third largest to being third last as a creator of jobs.

Figure 1.11 offers a summary of job creation by firms of all sizes. Figure 1.12, however, looks at the contribution that small businesses have made to job creation within each sector. Small business accounted for all net new job creation in both the manufacturing and the business and personal service sectors. They also contributed an overwhelming share of net new jobs in finance, insurance and real estate, wholesale trade, construction and retail trade. Small businesses were less prominent as job creators in community services and mining.

In considering the contribution that small businesses make to job creati. n in Canada, it is important to remember that many small businesses have no employees beyond the sole owner and proprietor. There is also a large number of self-employed salespeople, professionals, farmers and fishermen who are not formally incorporated. Self-employment can be considered a form of micro-business that is becoming increasingly significant in Canada.

Figure 1.10

Percentage of Industry Employment (ALUs) * Accounted for by Small Firms, 1989

* ALU = Average Labour Units employed by firm. It can be taken as equivalent to number of employees per firm. The data used to calculate the percentage figures in this table exclude the unincorporated self-employed. Percentage figures have been rounded to the nearest percent.

n.a. = Not available because of confidentiality requirements.
Source: ESBO, Statistics Canada.

	<50 Employees (percent)	*<100 Employees (percent)*
Primary	83.5	n.a.
Mining	14.5	20.3
Manufacturing	19.0	28.3
Construction	62.8	73.7
Transportation/Communications	18.0	22.6
Wholesale Trade	45.7	58.0
Retail Trade	44.4	52.2
Finance/Insurance/Real Estate	27.9	33.8
Community Services	15.5	20.6
Business and Personal Services	50.3	60.4
Unclassified	70.5	n.a.
Total Private Sector	**33.9**	**42.0**

Figure 1.11
Number of Net New Jobs Created by Sector *(in 000s)*
Source: Statistics Canada

	1986 - 87	1987 - 88	1988 - 89
Primary	10.3	8.2	-1.8
Mining	1.5	9.2	-5.9
Manufacturing	40.3	83.5	3.0
Construction	45.2	62.8	39.9
Transportation/Communications	1.4	39.7	39.5
Wholesale Trade	38.2	67.9	30.6
Retail Trade	71.8	70.5	53.6
Finance/Insurance/Real Estate	35.4	45.2	31.7
Community Services	35.2	98.5	75.4
Business and Personal Services	119.7	136.5	89.0
To be classified*	14.4	68.4	63.4
Total	**413.4**	**690.4**	**418.5**

* Includes firms whose industry classification has not yet been determined.

The Economic Council of Canada reports that jobs lasting less than six months, self employment and temporary help accounted for about 50 percent of the jobs created between 1980 and 1988. Those jobs now make up 30 percent of total employment in Canada and part-time, project-oriented, temporary positions are becoming increasingly common. As a result, the number of full-time self-employed is growing faster than the number of paid employees (see Figure 1.13). In addition, the average income of the self-employed is approximately 10 percent higher than that of paid workers and it is increasing at a faster rate.

The impact of small businesses on employment in Canada is governed by their internal dynamics. As Figure 1.14 shows, the biggest positive contribution to job creation and to payrolls comes from rapidly expanding businesses. Similarly the largest negative impact was felt from rapidly contracting businesses. In both cases, the proportion of businesses involved was relatively small.

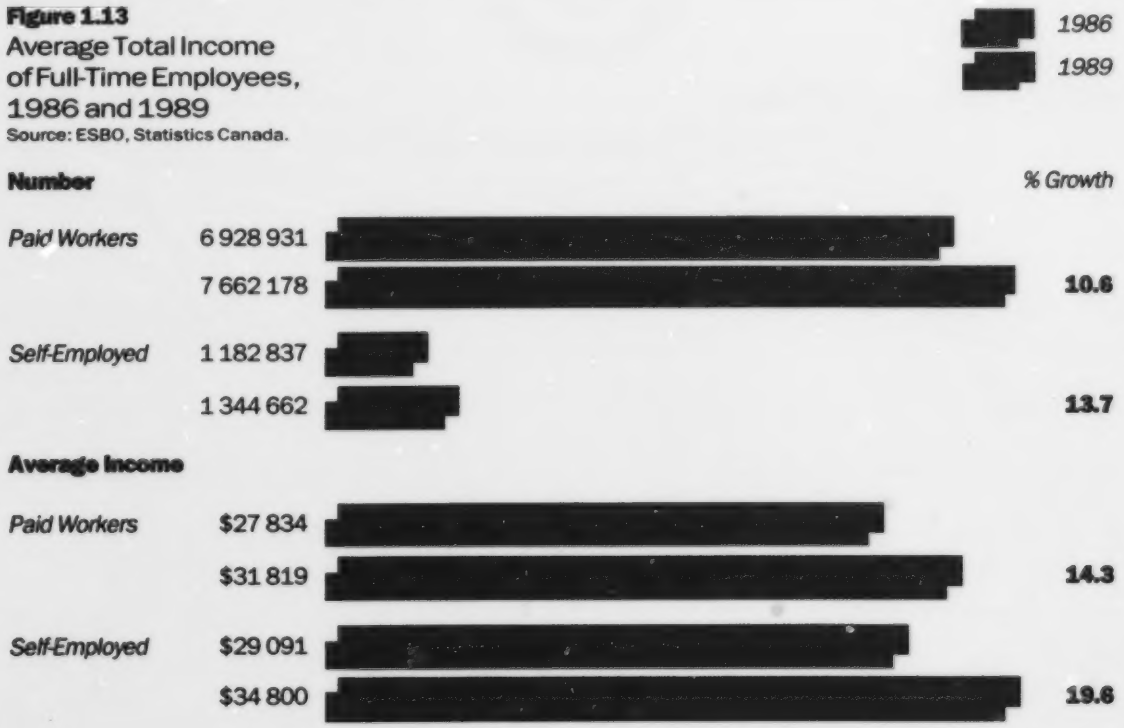
A contraction in the number of employees in a company is not necessarily negative from the point of view of the business. It is possible that many companies downsize as part of an effort to improve operational efficiency and productivity. From the perspective of Canadian society as a whole, however, it is important to enhance employment opportunities. A key challenge for all Canadians, therefore, is to encourage the kind of sustainable corporate growth that will eventually result in new job creation. The adoption of corporate best practices can enhance overall competitiveness and ultimately support growth.

Figure 1.12
Net New Jobs Created by Small Businesses, 1986–89 *(percent)*
Source: Statistics Canada

	1986 – 87		1987 – 88		1988 – 89	
	<50	*<100*	*<50*	*<100*	*<50*	*<100*
Primary	85	90	88	96	60	n.a.*
Mining	100	100	52	59	3	21
Manufacturing	100	100	54	69	100	100
Construction	95	98	77	85	79	87
Transportation	100	100	35	39	35	38
Wholesale Trade	71	77	73	85	82	90
Retail Trade	75	85	66	77	73	81
Finance/Insurance/Real Estate	59	72	62	69	86	91
Community Services	46	60	31	37	27	33
Business and Personal Services	78	85	63	71	100	100
Total	**81**	**90**	**59**	**68**	**75**	**83**

* n.a. - Not available because of confidentiality requirements.

Figure 1.13
Average Total Income of Full-Time Employees, 1986 and 1989
Source: ESBO, Statistics Canada.



Some Small Business Practices

It is not possible to describe with any accuracy the extent to which many best practices have been adopted by Canada's small businesses. There is some evidence, however, to suggest grounds for concern in certain areas. The contribution of small business to Canada's direct exports, to training efforts and to employee benefits suggests at least a few areas requiring attention.

Exports

Small business only contributes about one percent of Canada's total direct manufacturing exports, though its share of total revenues in the manufacturing sector is 12 percent. Overall, the manufacturing sector exports about a quarter of all production. Small business accounts for about 48 percent of all service sector revenues and it contributes 47 percent of Canada's service exports. These exports, however, only constitute about 2.5 percent of all revenues generated within the service sector. In the case of manufacturing, the small business contribution to exports tends to be hidden since many smaller businesses supply parts and sub-assemblies to larger corporations which then export finished products. In the case of services, the role of small business is more prominent in exports since the tourism industry which "exports" services to foreign tourists, is largely composed of smaller businesses. Figure 1.15 lists the service subsectors in which the export contributions of small businesses are most significant. Three of the top seven are related to the tourism industry.

Figure 1.14
The Contribution of Expanding and Contracting Firms to Earnings and Jobs, 1985–1989
Source: ESBO, Statistics Canada.

	Growth Index*	No. of Firms	% of all Firms	Change in Payroll *($ billions)*	Change in Employment
Expanding	Slow (1–5)	92 121	19.6	11.8	311 980
	Moderate (6–20)	31 446	6.7	12.2	349 678
	Fast (21+)	23 122	4.9	45.0	1 373 528
	Sub-total	146 689	31.2	69.0	2 035 186
Contracting	Slow (1–5)	312 396	66.4	4.2	–202 303
	Moderate (6–20)	8 255	1.8	–0.8	–151 684
	Fast (21+)	3 086	0.7	–5.0	–520 030
	Sub-total	323 737	68.8	–1.6	–874 017
Total		**470 426**	**100.0**	**67.4**	**1 161 169**

* The growth index is the absolute increase or decrease in the number of employees in a company times the percentage of growth expressed in decimal terms (100 percent = 1).

Training

Much debate surrounds the issue of training, a good deal of it focused on the size, value and significance of informal on-the-job training efforts. In terms of formal training, however, Canadian small businesses tend to lag behind larger companies. Some 58.6 percent of companies with more than 1 000 employees reported setting aside a specific training budget. Only 13.1 percent of companies with fewer than 10 employees reported doing so. Figure 1.16 reinforces the point. It shows that among companies with fewer than 10 employees only about 30 percent perform any training. By contrast, training is done by 80 percent of companies with more than 100 employees. However, the small companies that do provide formal training tend to spend more per employee than larger firms. For example, companies with fewer than 10 employees that did offer training spent about $400 per employee as opposed to $150 for those companies with 500–999 employees. Despite these intense training efforts by a relatively small proportion of smaller businesses, in general, businesses with fewer than 100 employees tend to do less training and risk being unable to develop the highly qualified workforce that is essential to sustaining long-term competitiveness.

Employee Benefits

Small business apparently still has some way to go to develop benefit packages that compete with those offered by larger firms. In fact, most small businesses often cannot afford the kinds of benefits that are becoming increasingly common in larger organizations. The Conference Board of Canada recently surveyed 385 organizations representing 1.1 million Canadian workers to determine how they were responding to their employees' family responsibilities. Of those

Figure 1.15
Major Service Exports by Small Businesses, 1988
Source: Statistics Canada, ESBO, ISTC.

	Total Revenues	Value of Small Bus. Exports *($ million)*
Hotels/Motels/Lodging	7 006.0	312.7
Scientific and Technical Services	8 048.0	159.4
Computer Services	4 613.0	113.3
Campgrounds	567.3	99.3
Other Business Services	6 739.0	56.6
Advertising Agencies	2 657.0	21.5
Amusement Services	944.5	23.0

Figure 1.16
Training by Company Size, 1987
Source: Statistics Canada, Human Resource Development and Training Survey.

No. of Employees	% of all Companies	% of all Companies Which Support Training	% Within Size Group Which Support Training
0–9	83	72	27
10–49	15	23	48
50–99	1	3	55
100+	1	3	76

surveyed, 29.4 percent had more than 2 000 employees, 32.5 percent had between 500 and 1 999, and 38.1 percent had less than 500 (see Figure 1.17). In virtually all cases, companies with fewer than 500 employees were less likely to offer benefits than were larger firms, The differences were particularly striking for key benefits such as flextime, part-time work with pro-rated benefits and extended maternity leaves, which are increasingly common in larger companies but are half as likely to be offered by smaller ones. These statistics suggest that such benefits are even less likely to be offered by small businesses with fewer than 100 employees.

Some Conclusions

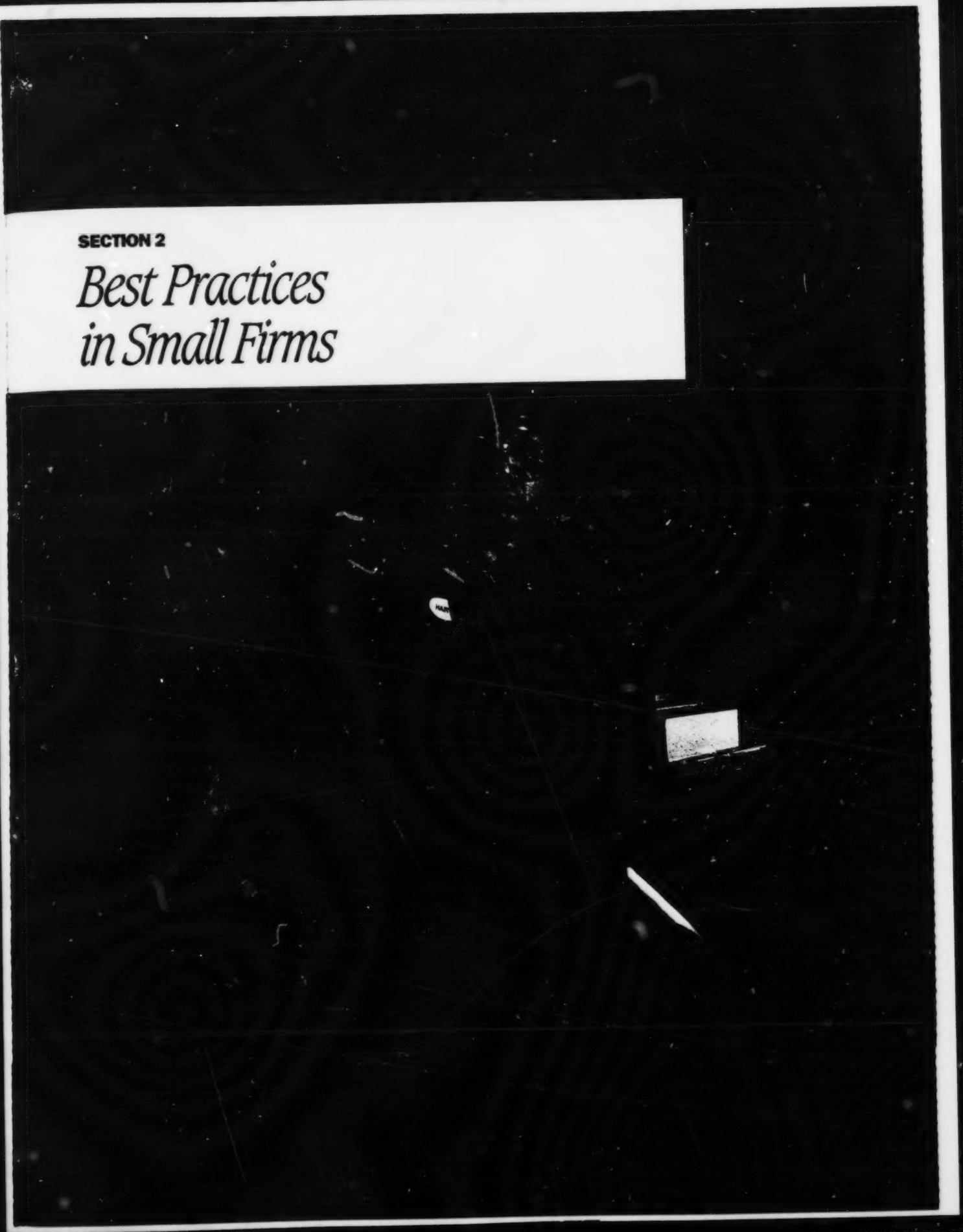
Small businesses continue to play a key role in the Canadian economy. Almost half of all Canadians are either self-employed or work for companies with fewer than 100 employees. And every passing year sees another record set in terms of the number of new small businesses that are registered in Canada. It is not enough to create new businesses, however, if those businesses remain stagnant or if they disappear after a few years of shadowy existence. Faced with an increasingly challenging environment, Canada's small businesses must reach for the means by which they can achieve competitiveness and secure a prosperous future. Only a conscious effort to learn from the practices of our most successful small businesses will enable the remainder to survive and grow.

Figure 1.17
A Survey of Family-Related Benefits by Company Size (Percentage Offering Benefits) 1989
Source: Conference Board of Canada, "The Corporate Response to Workers with Family Responsibilities."

	<500	*500–1 999*	*2 000+*
Child care information	5.0	7.4	13.0
Child care centres	2.1	1.6	12.0
Flextime	37.9	49.2	61.8
Job sharing	9.4	19.7	31.8
Compressed work week	19.4	27.9	40.9
Work at home	6.8	8.3	16.8
Shorter work weeks	13.0	17.4	32.7
Part-time with pro-rated benefits	14.4	30.3	47.6
Part-time with no benefits	26.7	34.8	34.9
Pre-maternity leave	17.3	23.3	36.4
Extended maternity leave	34.8	53.3	67.0
Paternity leave	8.8	20.0	24.3
Adoption leave	14.1	42.4	55.9
Special family leave	51.1	52.1	64.2
Educational leave	53.6	63.9	70.0

SECTION 2

Best Practices in Small Firms



Best Practices and Competitiveness

All businesses know that they have to be competitive to survive. This, in turn, means finding ways of satisfying customers better than anyone else. For some clients, price is a key consideration. For others, timeliness or reliability is paramount. And still others are looking for superior quality. To satisfy the demands of customers, an increasing number of firms is seeking new and better ways of doing business – what many refer to as best practices.

This report describes how some of Canada's smaller companies are using best practices to forge advantageous relationships that enhance their competitiveness. It describes how through such relationships, small firms have been able to develop new markets, introduce new technologies, or add to their firm's expertise. It focuses on how companies are extending resources or accessing new ones by transforming business associations into dynamic relationships. In doing so, small companies extend their reach, reduce risk, enhance their profitability and achieve competititve advantage.

There is no single set of best practices that will work everywhere, every time. The practices that are best for a company are those that are appropriate for the particular stage of development in which the firm finds itself. They will change as the company evolves. Because of their size, however, smaller businesses have the advantage of flexibility. They can experiment with various practices to determine what will allow them to respond effectively to a rapidly changing environment.

What all best practices have in common is that they allow a company to deliver quality to its customers. In the most successful firms, quality becomes a gateway leading to additional best practices that further enhance customer satisfaction. That has been the secret behind the success of the **Nexus Group of Companies**. It has grown and prospered because best practice, quality and customer satisfaction have been closely interconnected.

Four Key Relationships

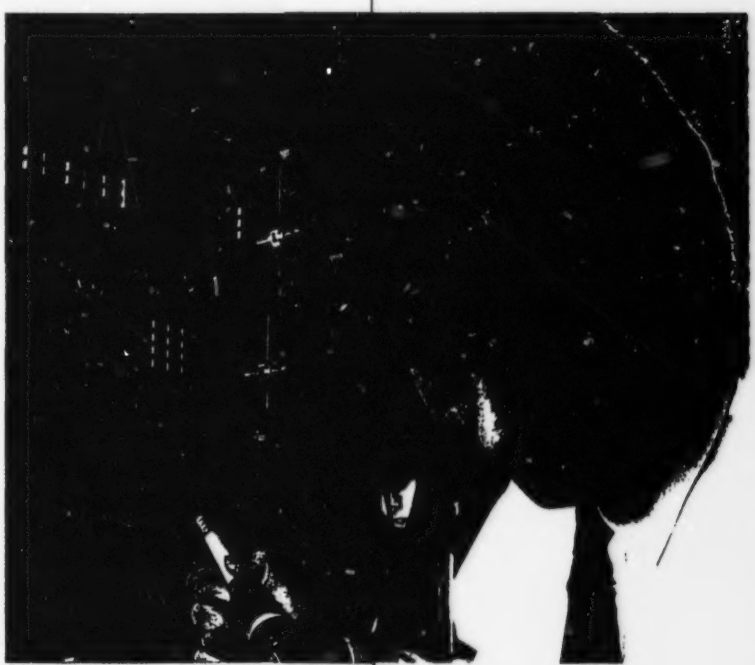
This report addresses best practices in four types of relationships: those relating to customers, suppliers, employees and other organizations. Technology pervades these relationships and the practices that govern them. It is often what links the operations of a company or enhances the various internal and external relationships illustrated in the report.

Today's successful small businesses are focused on the customer. Their primary objective is to attract and retain clients by satisfying existing needs and anticipating new ones. They develop a close relationship with customers, find out what they want, and are thus able to serve them better than competitors do. By consistently looking for ways to create additional value for those who buy their products or services, competitive companies succeed in turning one-time buyers into long-term customers. Relationships with suppliers also form an essential component of a firm's business relationships. Through application of best practices in this area, firms can turn supplier relationships into competitive advantages that benefit both their customers and themselves. Employees are the crucial element in achieving customer satisfaction. No matter how good a technology, product, process or service, it is a company's people who make it work. Finally, co-operation with other organizations is another type of relationship that can bring additional resources to bear in securing a firm's success. Section 2 of this report is devoted to examining the best practices that govern small business relationships in these four areas. No single business practice, however, can be considered in isolation from all the operations of a company. It must be carefully integrated into a firm's overall direction. Unfortunately, many intermediaries who work directly with smaller companies report that few of them have either a clear business plan or a cash projection. Without these basic tools to give context and focus to a practice, even the best practices are of little use in securing competitive advantage.

The Nexus Group of Companies

In less than a decade, the Nexus Group of Companies of Burnaby, B.C., has emerged as an industry leader in the design, manufacturing and marketing of cable television head-end equipment, that part of a cable system that processes the signals received by satellite dishes and off-air antennas to produce clear pictures and sound. Nexus has achieved its success because of practices that ensured customers received a quality product. Quality, in turn, allowed the company to extend the service it offered customers and increase their satisfaction.

Peter van der Gracht, Nexus president and co-founder, recalls the care with which the company began operations. "Before producing anything, we invested a whole year perfecting our designs, simplifying them, reducing the number of components and connections and minimizing the possibility of failure. We also spent a lot of time testing and confirming specifications to ensure that our manufacturing practices were capable of delivering quality."



As Nexus grew, the founders focused on practices that would enhance quality throughout their organization. This was seen especially in their approach to hiring. "We tend to hire inexperienced but bright people because we do not want to deal with bad habits learned in other organizations," says van der Gracht. Though half of its relatively young workforce has had some technical education, Nexus provides training for all of its employees. It focuses especially on areas such as commitment to quality and quality control. And it makes sure that employees have incentives to keep paying attention to quality issues. "In manufacturing we measure the outgoing quality of each group. The failure rate in each group will affect its compensation. The individual's pay for performance bonus equals approximately 20 to 25 percent of the total compensation package. Those bonuses are paid monthly so that the impact is fairly immediate."

The focus on quality became the key to satisfying the customer. As van der Gracht says: "We believe nothing can kill a company more quickly than delivering a poor product." Every employee knows that Nexus products are the most reliable in the industry. And every employee knows that they can, in some way, influence the quality of the company's products. Nexus' practices have resulted in failure rates that are about five to 10 times lower than the competition's.

Confident of its products, Nexus could easily lead the industry in enhancing customer satisfaction still further by offering an all-inclusive five-year unconditional guarantee on all products, forcing the competition to follow suit with more limited warranties. "Extending warranties has not cost us anything and has given us much more in terms of increased sales," says van der Gracht.

The link among best practice, quality and customer satisfaction has paid off. Nexus virtually created the market for cable systems serving fewer than 1 000 subscribers, its products quickly became an industry standard, and it now offers more cable head-end products than any other manufacturer. The company has been profitable in every year of its existence and after only nine years, it designs, manufactures and markets more than 80 products to 72 countries.

"We believe nothing can kill a company more quickly than delivering a poor product."

Serving Customers

The complexity of most products today is such that they have to pass through many hands before they reach the end-user. In fact, small businesses generally face one of two distinct types of customers, depending on where they are located in this chain of buyer-supplier relationships.

Some companies buy certain products or services from a supplier, add value and then supply the enhanced offering to the next buyer in the chain. Their business is based on supplying a small number of customers with components or services that the client then transforms further before passing it down the chain. For such companies, success depends on developing close relations with customers, communicating frequently and delivering to specifications on time.

Other companies stand at the end of the value chain and deal directly with end users. Their business is based on selling to the largest possible group of consumers. For them, successful marketing depends on reading the public mood, tracking customer preferences and devising innovative ways of attracting and serving their customers.

This section examines the two types of customers that small businesses face and offers illustrations of the practices successful companies have adopted to identify and serve them. The profiles and examples are models that may be relevant to other small businesses in the ongoing search for global competitiveness.

End-users as Customers

The small businesses that deal directly with end-users generally tend to be retailers or service providers selling to indvidual customers. In addition, end-users might also be companies that purchase a good, service or technology for their own use. For small businesses serving end-users, a key competitive challenge is to keep up with rapidly changing consumer demand as well as a technological revolution that is fuelling the creation of a bewildering array of new products and services. Take something as mundane as groceries. Groman's *New Product News*, which tracks new product introductions in supermarkets and drugstores, reports that between 1985 and 1989, the number of new items introduced every year grew by 60 percent. In 1989, 12 055 new products appeared on store shelves. Nothing exists for very long before it is overtaken by new, improved versions, or overwhelmed by a breakthrough rendering all preceding offerings obsolete.

Faced with a profusion of offerings, end-users have become more discriminating and more demanding. They recognize the difference between just another purchase and genuine quality. They know that in a highly competitive environment they do not have to travel far to find someone willing to give them exactly what they want. And technology has made it possible to customize and adapt products and services to respond exactly to customer preferences.

Getting To Know End-users

In the case of end-users, companies traditionally developed new products and services and then attempted to persuade end-users to buy them. With discriminating customers and a wealth of alternatives to choose from, this traditional approach has turned into a high-risk prescription for oblivion. Companies can no longer afford to guess what end-users want. They have to know, before they commit to the marketplace. The successful ones get it right the first time because they know who their customers are and what they want.

One way of finding out about end-users is to use today's information technology. It allows companies to maintain increasingly sophisticated databases that go beyond names and addresses to include information on product preferences and spending habits. This kind of detailed information enables companies to

modify and refine their offerings as well as to mount highly focused and effective marketing campaigns.

Zacks Fashion Ltd, a chain of women's clothing stores based in Kitchener, Ontario, has built up its list of prospective customers by running promotional draws every time it opens a new store. Participants get a chance to win a $500 gift certificate by filling out a questionnaire detailing their preferences. Similarly, **McBain Camera Ltd**. of Edmonton invested $50 000 in personal computers and software designed to track its customers. The system records specific information about the customer's previous purchases and special interests. McBain then uses this information to target market specific products to customers who are most likely to be interested in them.

Learning from End-users

Learning from end-users is even more important than identifying them in developing a competitive advantage. For example, **Linian Systems**, a Toronto-based developer of software for mutual fund managers, has created user groups to comment on its products and thus assist the company in its planning and product development. The groups discuss common problems and offer solutions that help users take better advantage of the software or suggest how Linian might modify future versions. Since Linian's PF Plus system is now used by Canada's largest mutual fund manager, participation at the user groups is an attractive bonus that Linian can offer new clients. It is, after all, an opportunity for smaller companies to sit at the same table with the industry's leaders.

Learning from customers is vital to service-providers but it may be even more important to small manufacturers. Squeezed by shrinking product life cycles, they must get their products to market as quickly as possible. On the other hand, if they guess wrong about what the market wants, they lose their investment in the product.

The answer is to assemble the right information before moving to new product development. That includes intelligence on customer needs and preferences, as well as details on the activities of competitors. By integrating market information with technological data, companies improve the probability of getting it right the first time. The key is to develop interactive relationships with customers. The ongoing feedback they provide permits companies to stay on top of change and reduce the risk of developing new products or services.

Whatever the technique, the key to satisfying end-users is involving them. Increasingly, companies are looking to develop an ongoing relationship with customers that will encourage loyalty while providing the feedback required to keep their offerings responsive to consumer needs. The knowledge needed in order to satisfy customers quickly can only be cultivated and mastered through permanent and on-going contact.

Marketing

With better information about end-users, small businesses are becoming more effective in their marketing. For example, detailed customer databases allow companies to target frequent buyers, offer attractive discounts and build customer loyalty.

An increasing number of small businesses is turning to direct mail, newsletters and other forms of communicating directly with their customers. **Greff Computer Corp.**, of Brampton, Ontario, is a computer reseller that produces *Fresh from Greff*, a distinctive in-house newsletter sent to 15 000 customers, prospects and suppliers. The publication encourages interactive communication and builds loyalty by adopting a distinctive soft-sell approach that includes puzzles, trivia and promotional material, as well as features on customer concerns and new products. Such newsletters are no longer difficult or costly to produce. Desktop publishing technology has made it possible for even small companies to produce handsome small format periodicals that can be used to establish a dialogue with end-users.

Smaller companies are also using the latest technology to enhance their sales efforts. This goes beyond installing sophisticated electronics at the check-out counter. **Old Firehall Sports** of Toronto has a special "Compu-fit" electronic system that it uses to fit customers shopping for ski boots. The system scans the foot and takes a visual image. Additional information such as instep and calf measurements is entered by the sales person, as is detail about the buyer's skiing habits. The computer then compares this information with a database of 260 ski boots and recommends those that are the most appropriate for a particular foot shape and skiing style. As a result, the customer spends less time trying on boots.

The way companies think about marketing has changed. Traditionally, companies were sales-driven. Marketing involved persuading end-users to purchase their products or services. In the 1990s, however, companies are becoming market-driven. They seek to anticipate customer needs, not just respond to them. By doing so, they define and create new markets instead of dominating existing ones. To open up such a market, a company must match its own capabilities to a recognized but unfilled need. To own it, a company must serve that market so well that its success acts as a barrier to the entry of competitors. That is the secret behind the success of **MPB Technologies Inc.** of Dorval, which created a unique product that has defined an entirely new market for undersea branching multiplexers.

Keeping Customers Happy

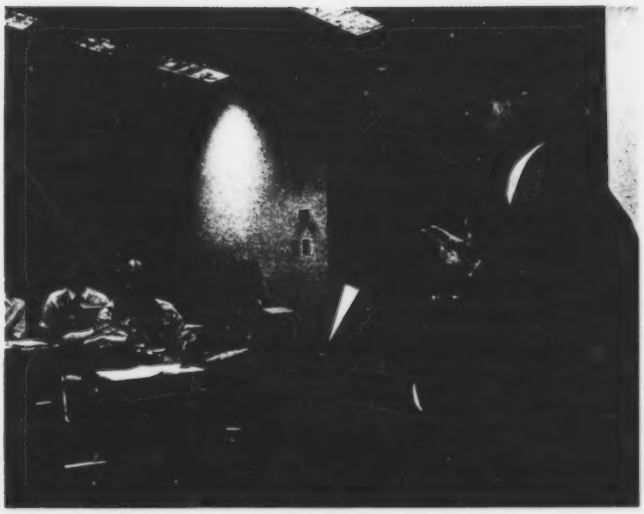
In selling to end-users, successful small businesses are keenly aware that it is not enough to focus on product quality alone even though quality is an absolute necessity. Customers are also demanding a higher level of service.

Customer service starts with people. Successful companies train their employees in how to deal with customers, they encourage them to respond effectively to requests or complaints, and they give them the means and the freedom to do so. For example, some companies send out representatives on-site with the authority to deal with customers in a timely and personal way because they know that their competitors either take too long to respond or respond impersonally. Should a problem arise, a quick response (within a day of a complaint) and personal communications offer the best chance of regaining a customer's favour.

Beyond the personal touch, companies are also reaching for telecommunications technology to keep track of what customers expect. And if something goes wrong, service-driven companies encourage customers to complain and make it easy for them to do so. Telecommunications technologies such as cellular telephones, toll-free 1-800 numbers or 24-hour hot lines offer ways of maintaining contact with customers or receiving feedback from them on a continuous basis.

Apart from maintaining contact, however, advanced telecommunications opens up other opportunities for enhanced customer service. For example, the **London Biochemistry Reference Laboratory** located in London, Ontario, turned to Telecom Canada's Datapac as a way of providing medical test results to customers as soon as the results were ready. Because competitors were still sending test results by mail, London gained an advantage that allowed it to double sales over a three-year period.

Sometimes there is no alternative to investing in technology in order to keep customers happy. **Beallor, Beallor and Burns Inc.**, is a Toronto-based accounting firm with 40 employees. Despite its small size, it invested $200 000 to expand its existing computer base and enhance it with networking software, laser printers and expanded storage for clients' data. Not only has productivity improved by 20 percent, the new technology helps the firm satisfy client demands for critical financial information more quickly than before. It can produce monthly profit and loss statements as



well as cash flow projections days earlier than it had been able to using its previous manual retrieval system.

Customers appreciate a company that shares information. Many companies enter into an ongoing dialogue with their clients to discuss market trends, company directions and practical product or service needs. They position customer needs within the context of industry trends that they track internally by encouraging employees to read related materials, newspapers and trade journals to keep them on top of developments. For example, **MCL Motor Cars**, of Vancouver, found that customers who bought its Porsches and Jaguars were taking their after-sales service needs elsewhere. To reposition MCL, the company launched *In Roads*, a quarterly newsletter which discusses MCL's service and extended warranty programs, profiles customer-service personnel and new car offerings, and provides tips for luxury car owners. The newsletter contains useful information and demonstrates that MCL cares about customer needs. As a result, the company doubled its after-sales business which now comprises half the dealership's gross profit.

Some companies are opening up communications between customers and their employees, going beyond sales staff to include R&D personnel, designers and administrative support. Their objective is to promote co-operation between customers and all parts of the company. **Micro-Expertise**, a Montreal-based custom design software company, prides itself on customer service. The company holds regular open-house parties to give Micro-Expertise's managers and analysts a relaxed forum for meeting and talking with customers. It uses a newsletter to tell clients about new developments in the industry. It hires non-technical sales people who are not inclined to use confusing jargon and provides them with training to make sure they understand the technical aspects of its products. Finally, the company keeps red tape to a minimum and encourages employees to make their own decisions, especially when it comes to satisfying a customer's immediate needs.

An emphasis on serving customers is part of a noticeable trend among many small businesses attempting to create a corporate culture in which there are "zero customer defections." When served correctly, return customers generate increasingly more profits for each year that they stay with a company. If they come back consistently for the original offering, the company's unit costs decline. If they are well served and have confidence in a company, they are often willing to pay a premium for that satisfaction. Long-term and repeat customers provide free advertising through word-of-mouth endorsements and referrals. Finally, it is demonstrable that the costs of recruiting or attracting new clients are significantly higher than the cost of providing good service to repeat clients.

In the span of only 11 years, **Oak Bay Marine Group** of Victoria, British Columbia, has become the largest sports fishing operation in North America partly because of the careful service it offers customers. Staff at all Oak Bay locations project a unified image by dressing alike in jackets and shirts with corporate crests. The company has used unique and innovative promotional tools such as corporate kits that include a tin of B.C. salmon and a bottle of Canadian whisky. Oak Bay's commitment to personal service is also shown in the promotional packages it sends guests before they leave on a fishing trip. These include personalized luggage tags and "gone fishing" signs. Accessibility is also crucial. A telephone sales department is on duty 12 hours a day, seven days a week, to answer questions and record reservations. All calls are toll free and each question receives a written response. As a result of Oak Bay's focus on customer service 70 percent of the company's guests return for multiple visits.

Many companies committed to "zero defections" introduce a consumer advocate who sits in on major decision-making sessions. They make sure their employees understand the value of a lifetime customer. They are also careful to

relay both positive and negative feedback from customers back to sales people and other employees interfacing with clients. Some companies have even introduced incentive schemes to reward employees not only for sales, but for successful retention of existing customers.

Intermediary Firms as Customers

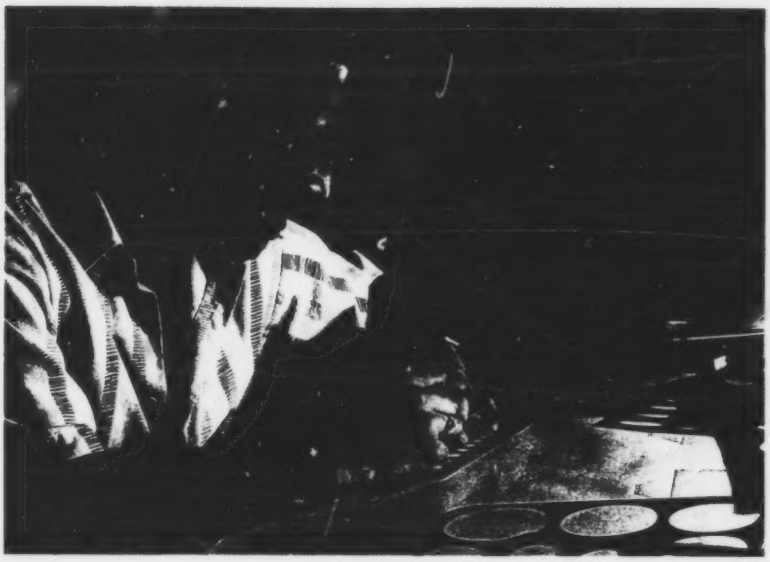
Many smaller businesses do not deal directly with end-users. Instead, they supply intermediary firms that process the product further or distribute it. In the manufacturing sector, where such buyer-supplier relationships are common, this may involve the provision of components and sub-assemblies. In the service sector, a company might supply services to customers that are also service providers. An example of this might be the design, translation or printing services that companies might provide a customer in the publishing business.

The relationship between a company and intermediary customers is governed by forces that are compressing development times and demanding ever closer forms of co-operation. Relations between a company and its corporate customers are becoming less adversarial. As a result, there is more sharing of strategic information to identify ways of improving the relationship. There is a new emphasis on education to establish common understanding. There is close co-operation to improve transportation linkages and simplify shipping schedules. And there is increased sharing and co-ordination of financial information to ensure smooth handling of invoices, credits, discounts, special charges and estimates.

A new set of practices defines the emerging relationship between companies and their corporate customers. It is important for small businesses to be aware of these practices since it will affect their ability to succeed as suppliers. The following are a few of the more obvious trends.

Fewer but Better Suppliers

Corporate customers are tending to deal with fewer suppliers. Most larger firms are reducing their supplier base and in many cases, they are single-sourcing key parts and components. Manufacturers are relying on suppliers to produce entire components and sub-assemblies rather than just parts. Since development of such



suppliers is expensive, corporate customers prefer to focus on maintaining fewer but more effective relationships while suppliers benefit from greater volumes of business.

Longer Contracts

Corporate customers and the companies that sell to them are entering into longer-term contracts, typically stretching over several years. In exchange for long-term stability, such customers expect suppliers to reduce costs, improve quality and reduce lead times, as well as adapt to more rigorous delivery schedules.

Supplier Support

Corporate customers are more willing to share risks and costs with their suppliers in order to guarantee their long-term viability. Buyers are investing more in their suppliers, especially in areas such as training or R&D. They are increasing the budgets allotted to on-site visits with suppliers. And they are spending a larger percentage of their operating budgets on supplier training.

Supplier Certification

Companies are using certification programs to create a closer technical alliance between corporate customers and their suppliers. The customer sets a technical standard that the supplier agrees to meet. In many cases, such alliances lead to supplier-generated technical improvements in the product or process. Certification also improves the flow of ideas between customers and suppliers, enhances the

manufacturability of products, and accelerates product cycle times. The certification process includes a technical evaluation that covers such topics as quality, technical competence, process controls, pricing, cost factors, engineering/ manufacturing support, financial stability, management delivery, service record, training programs and plant location. It also increasingly involves a mechanism for working on mutually acceptable goals and objectives.

Wheatley Canada Ltd., a Calgary producer of valves for the oil and gas industry, initiated a formal quality certification program in response to requests from its customers. It approached the Quality Management Institute for information about standards and the institute later audited the results of the program. The new standards the company set for itself required changes to employee attitudes and to internal operations. New procedures were drawn up and employees were trained to follow them. Everyone from purchasing to production was involved.

Michael Ernst, Wheatley's quality assurance representative, says "the key was making everyone in the organization responsible for quality. We used to have a few designated people dealing with quality control. Now we have in-process inspection where everyone is responsible for identifying and dealing with quality problems." Because of the program, the reject rate for valves went down significantly. Despite the initial cost of the program, Wheatley has saved a considerable amount of money. As a result, the program that worked so well for its valves has been extended to its pump product line.

Electronic Data Interchange

New information linkages between corporate customers and their suppliers are now necessary to ensure closer co-ordination. Electronic data interchange (EDI) is a form of electronic information sharing that was pioneered in the automotive industry as a way of linking large automobile manufacturers to their smaller suppliers. It serves to integrate the operations of customers and suppliers into a single management process. The needs of the last producer in the value chain are used to generate purchasing and work orders all the way back to initial suppliers. EDI is a'so an important engineering tool allowing for quick response to changes in customer requirements.

Global Suppliers

Suppliers are now going global along with their corporate customers. As large multinational enterprises expand into foreign markets, they may take their established suppliers with them to avoid the risks associated with developing new supplier relationships abroad. But suppliers cannot take anything for granted. As their clients seek to penetrate attractive markets such as the post-1992 European Community, they may develop new supplier relationships that can change the way they do business in Canada. Buyers are developing criteria to rate and compare suppliers on a world-wide basis. Suppliers can only assure themselves of an ongoing relationship if they can demonstrate that they are competitive not just domestically, but internationally as well.

While companies seek to anticipate the needs of their customers, those customers are judging them on their ability to anticipate the latent needs of their own clients further down the value chain. In today's competitive environment, it is not enough to deliver to specification. Suppliers must continuously extend the boundaries of the value and the competitive advantage that they seek to create for their customers. The success of **JPL International** (see box) is based on recognizing that its immediate

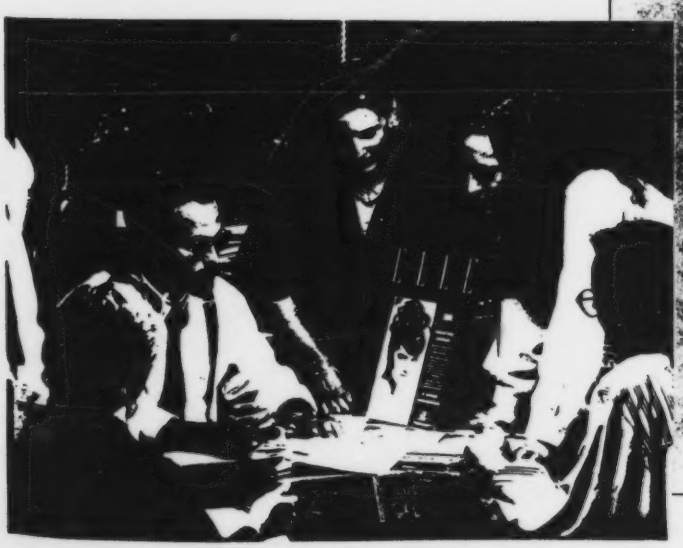
customers, its distributors, are part of a value-chain that ultimately stretches to the consumer of hair care products. By going to the end of that chain and mounting a vigorous promotional campaign with those consumers, JPL creates market demand that generates business for hairdressing salons which then buy from the distributors which deal directly with JPL.

Developing the Product

Companies that supply corporate customers understand today's emphasis on being first to market as well as being good. Their customers must not only produce high quality products, they must also be quick to innovate. In technology-driven industries, for example, 40 percent of all revenues come from products that are less than three years old and the time it takes to get a product to market is becoming a key determinant of competitiveness.

The other imperative is to design in quality right from the beginning. Companies no longer have the luxury of taking a product through a long development process where

"JPL listens to customers to find out what they really want."



JPL International Inc.

JPL International, of Ville-Saint-Laurent, Quebec, has based its successful marketing of hair-care products on understanding how to maximize the value that it delivers to customers. Its primary customers are the 50 or so distributors that carry JPL's products to hairdressing salons across Canada. From the beginning, however, JPL understood that success depended on every link in the value-chain that extended from the distributors to the salons and from the salons to end-users.

"Most business people assume that they already know what customers want. JPL listens to customers to find out what they really want," says Jean-Pierre Louis, the company's founder. What it heard was that the distributors needed something to make their offerings attractive to the 30 000 hairdressing salons in Canada and the salons would be attracted by anything that could help them sell to end-users. JPL's success is based on the insight that if it could help salons improve their operations and increase their profits, its distributors would enjoy a thriving market.

JPL offers the salons training. It employs 50 part-time "networkers" who give some 350 courses a year on new products, styles, trends, chemicals, service techniques and salon management. The product courses stimulate demand by teaching hairstylists how to use JPL's merchandise but JPL also offers courses on business planning, management and employee training. And it helps salons to market products by associating them directly with promotions of brand-name products.

JPL's products are sold exclusively to the salons by independently-owned distributors. Apart from communicating with them constantly, the company brings them to head office once or twice a year for a full-day seminar to communicate the company's goals and vision. JPL is careful about the distributors it chooses to become part of its team. It looks for long-term relationships with compatible individuals who share its customer-oriented philosophy. "We have a wonderful relationship with our distributors. They are part of our team and they grow along with us. We're all in it together," says Jean-Pierre Louis.

JPL solidifies the relationship with its distributors by providing them with advertising support, generous incentives and first-class service. "When you call our company, the telephone is answered on the second ring. We have a 45 minute limit to return calls and if the person is out then someone else will return the call," says Jean-Pierre Louis. And JPL has no back orders. It delivers products immediately.

In return, JPL expects the same first-class effort from its distributors. "Our terms are very strict–payment within 10 days net. But we deliver and we expect our distributors to do so as well," says Jean-Pierre Louis. As an added motivator, none of the distributors carries more than one of JPL's lines. Thus they compete with each other for the salons' business and each has an incentive to offer them the best service possible. JPL is always available to assist its distributors on efficient marketing strategies. As a result of this [illegible] effort, JPL's annual revenues have skyrocketed from $138 000 to more than $6.4 million in just five years and its market share has grown steadily, reaching 14 percent by 1990.

errors are eliminated in successive stages. Getting to market quickly demands designing it correctly the first time around. Though design accounts for an average of only five percent of a product's costs, it directly influences up to 85 percent of total costs. A good design at the beginning can eliminate the need for expensive product fixes and it can reduce overall production time.

Companies that supply corporate clients are sensitive to the need for both timeliness and quality in product design and development. They are responding to their customers' needs by participating directly in product and process design.

Some of the most successful relationships between companies and their corporate customers are based on complete integration of their respective operations into one product development process. The customers involve their suppliers in product development at an early stage using the latest information technology. Components can be designed according to the supplier's capabilities and still embody the highest quality levels. By giving all participants in the process the right electronic tools, a design can move quickly from concept through prototype to final product passing seamlessly between supplier and customer.

Delivering the Goods

Corporate customers are increasingly demanding that their suppliers participate in just-in-time (JIT) delivery systems. The costs and effort of implementing such systems fall largely on the shoulder of the suppliers, many of whom are smaller firms. JIT requires long-term capital investment in new equipment as well as improved communications, training and preventive maintenance. All of this may seem beyond the reach of many smaller businesses, but JIT stands to benefit them by improving their overall competitiveness and assuring them of an ongoing relationship with key customers.

JIT inventory management is a technique that reduces warehousing costs by delivering goods exactly when they are needed. To achieve this precision, suppliers, manufacturers and customers must all be closely tied into one integrated process.

The immediate goal of JIT is a production process that is free of bottlenecks, keeps inventories to a minimum and adjusts smoothly to changes in demand. Suppliers are told the time and the day when a shipment is expected. Because early deliveries are just as disruptive as late ones, they are also penalized. Anything that interrupts the JIT process is now considered a defect, even missing paperwork or incorrect labels.

The concept of "just-in-time" deliveries represents an entire operational philosophy combined with a series of practical down-to-earth tools that turn theory into practice. Those tools include techniques to facilitate change-overs, improve plant layouts, train employees in quality control, schedule maintenance, control materials, and simplify product designs and production processes. Taken together, these lead to a process of continuous process improvement through the accumulation of many small gains over time.

Small businesses involved in a JIT process pay close attention to the kinds of services they offer their customers. Some handle ordering or invoicing through telemarketing or electronic data interchange in place of regular sales calls. Instead of delivering the product, they may invite the customer to pick it up at the supplier's site. Instead of delivering to the customer's warehouse, a company may deliver directly to the production line. And suppliers may engage in joint inventory planning with their customers.

JIT depends on the full commitment of all people involved, appropriate preparation and training at all levels, a willingness to change current methods, a devotion to cost-cutting and efficiency and a respect for those participating. Successful implementation of JIT has led to a

"Suppliers must continuously extend the boundaries of the value and the competitive advantage that they seek to create for their customers."

reduction in the number of suppliers corporate customers use. It has also led those customers to develop stronger and more committed partnerships with those suppliers. That is where JIT pays off for smaller firms. By adopting JIT, small firms can establish themselves as desirable partners and enter into close and ongoing relationships with corporate customers.

Summary

Regardless of whether a company's customers are end-users or corporate clients, there is no short cut to keeping them happy. Customer satisfaction depends on ongoing communication to identify and understand customer needs. It requires a commitment to change in order to accommodate customer requirements both at home and abroad. And it demands a focus on quality and service to keep customers from looking elsewhere. The process of identifying, understanding, reaching and serving customers is an ongoing challenge for small businesses. Regardless of the costs, small business owners know that no business can succeed unless it results in satisfied customers.

Relations with Suppliers

Regardless of whether their customers are end-users or intermediate processors, virtually all small businesses depend, in turn, on their own suppliers.

Companies turn to suppliers for physical inputs that can include unprocessed raw materials, semi-finished components or equipment. They may purchase technologies or technological expertise as well as various types of research. They might sub-contract their advertising, promotional and sales strategy or engage market researchers to provide them with intelligence on customers.

Suppliers of business services can include couriers, mailing houses, printers or trainers. And virtually all businesses regularly turn to lawyers, bankers, accountants and brokers for legal and financial services. In fact, most businesses are involved in a complex network of relationships with a host of different suppliers. The successful ones are those able to turn those relationships into a source of competitive advantage.

The Trend Toward Contracting Out

Traditionally, companies tended to bring various operations in-house as a means of broadening their control over the value chain. This process of vertical integration resulted in slow-moving industrial giants that sought to do everything. The past two decades of intense technological change and competition led to a reversal of this earlier trend. In order to survive, large firms began to focus on what they did best as a way of improving efficiency, productivity and competitiveness. They spun off peripheral activities while sub-contracting others to those who could perform them more cost-effectively.

Within this context, smaller companies have come to appreciate the competitive advantages inherent in flexibility. As a result, they too want to stay lean, minimize their operational and administrative burdens, pay for work only when they need it and reduce their overall fixed costs. Even if the relative unit cost of work done externally is higher than if it were done in-house there is still an advantage to the purchaser because this cost is only borne when it is needed. It does not become part of a company's fixed overheads. As a result, sub-contracting is an important way of lowering overall costs.

A close relationship with a supplier allows a company to ease the pressure on its own working capital while also reducing the costs associated with purchasing and production. Further price reductions can be negotiated by offering suppliers longer-term contracts. For example, **Optimil Machinery Inc.** of Delta, British Columbia, specializes in sawmill technology. With sales in the range of $8 million a year, one of Optimil's strategies has been to source as much as 40 percent of the components, particularly the largest machinery parts, from other firms under sub-contract. A lot of capital equipment would have been needed to acquire the same manufacturing capability in-house. Such an investment would have strained finances and, equally important, threatened the company's focus. The strategy requires an appropriate infrastructure for machinery manufacturing, which exists in B.C. By choosing to utilize several million dollars of numerically controlled machine tools in other manufacturers' facilities, Optimil is better able to develop and sell its own products.

The practice of sub-contracting increasingly extends to the individuals a company employs. Smaller firms are becoming more careful about how many new people they engage full-time. They are increasingly sub-contracting to part-time employees on an as-needed basis rather than carrying them as a permanent part of their fixed costs. This practice embraces people at all skill levels ranging from professionals to blue-collar workers. It provides companies with increased flexibility but it also has significant implications for the evolution of the labour market. Many individual sub-contractors and freelancers appreciate the variety and flexibility that accompany such arrangements. On the other hand, part-time and contract workers will usually not have access to any formal company training programs. If they need training, they have to acquire it on their own. They also do not have access to the same range of benefits as full-time employees. As a result, the trend toward part-time and sub-contracted work offers a special challenge to government social programs that must accommodate the new, emerging reality.

Managing Complexity and Innovation

Other characteristics of the current business environment are accelerating the trend toward contracting out. Many business functions are becoming highly complex. Vital functions such as tax planning or sophisticated market research may be beyond the internal capabilities of a small business and yet they are essential to its prosperity. Moreover, in a highly competitive environment, companies need to maximize the efficiency of all of their operations. In the case of highly specialized functions such as data processing or mass mailing, smaller businesses derive significant advantages from sourcing with experts who are able to supply services more quickly and cost-effectively.

Magic Words of Mississauga, Ontario, is an example of a small business whose success is based on its ability to manage suppliers. This communications company has consciously pursued a strategy of staying small and limiting overheads by sub-contracting to experts and specialists. In producing *Autoroute*, the magazine of the

"We had to get the support of everyone in the organization to accept change and that takes time."

Canadian Tire Auto Club, for example, the owner of Magic Words, Brian Barber, acts as a managing editor. He provides overall quality control and final editing while supervising the activities of numerous suppliers who provide writing, photography and copy editing. In addition, he liaises with other suppliers – including artists, designers and printers – contracted by the magazine's publisher, Morris Marketing and Media Services. As a result, Magic Words can handle large and ambitous projects, assure customers of quality and still remain small and flexible.

The trend toward contracting out is also being influenced by the new emphasis on being first to market. For example, in manufacturing, as product cycle times decrease, many smaller companies are turning to suppliers for research and development, design, product engineering and prototype development. The ability to sub-contract at least some of these functions while handling others in-house means that innovations can be introduced more quickly.

Sub-contracting also permits smaller companies to benefit from the R&D of others. Because specialized suppliers are, of necessity, closer to the leading-edge technologies in their field, companies with close relationships to those suppliers can gain significant technological benefits without the need for extensive R&D of their own. They can focus their own innovative skills on new applications, relying on suppliers to provide them with advanced technologies and components which they then integrate and assemble.

As for smaller companies that perform their own R&D, sub-contracting allows them to share some of its risks and costs. They can form a technical alliance with their suppliers in order to stimulate the flow of ideas between them. A company's own people can capitalize on the expertise of the supplier to keep up with technological change. As a result, the relationship can encourage innovation, generate technical improvements, enhance manufacturability, reduce cycle times and ensure quality.

Fewer But Better Suppliers

Successful companies approach relationships with suppliers by carefully distinguishing between what they can do well in-house and what can best be done externally. The process starts with a business plan that specifies what the company wants to be, what core capabilities it needs in-house and what can be provided by external suppliers.

As more functions and activities are contracted out, small businesses face the challenge of managing a complex array of supplier relationships. With suppliers of material inputs, a company may strive to ensure on-time delivery, avoid bottlenecks, maintain qualityand keep costs under control. With suppliers of information, it may seek to enhance mutual comprehension, define objectives and ensure relevance. And with suppliers of financing, it may seek empathy and dependability. Maintaining effective relationships in the presence of different needs and objectives can place a significant burden on small business owners and managers.

To keep complexity under control, small businesses are limiting the number of suppliers with whom they deal. They do not want to shop around continuously and, for any given function, they seek to establish an ongoing relationship with one qualified supplier. Because companies depend heavily on their suppliers, they are careful in selecting them. In the manufacturing sector, for example, they may look for certified suppliers or suppliers willing to undergo certification to ensure conformity with standards and quality requirements. Beyond technical details, however, all companies in every sector want a strong and stable partner with a healthy balance sheet, a committed work-force and a non-adversarial relationship to the buyer. In many cases, the right supplier is not only the one that offers the best combination of price and

service. It is also the one that is prepared to behave as a partner, sharing some of the responsibility for satisfying a company's customers.

As companies develop closer relationships with fewer suppliers, those responsible for managing the relationship assume a strategic importance in the company. Traditionally, purchasing managers were seen as part of a company's operations and administration. Today, purchasing has become a strategic function that demands careful attention. In some cases, purchasing is even handled by cross-functional teams representing different concerns within a company. The special interests of strategic planning, marketing and sales, production processes or financial control may all need to be represented when a company deals with its suppliers.

The Importance of Communication

Breaking an established supplier relationship can lead to significant disruption and expense. Once a company finds a good supplier, it invests time and resources in developing and managing the relationship. The prospect of long-term co-operation offers an incentive to both sides to take the relationship seriously. In addition, of course, companies offering longer-term contractual arrangements to suppliers are in a strong position to negotiate better prices.

A close relationship demands open and effective communication. Clarity is the key to communication and it requires knowing what it is that needs to be said. That is where a business plan is also helpful. It can help a supplier appreciate the larger strategic picture. The plan's details can help to explain exactly what a company needs and thus can serve as a guide to the supplier's own business planning. For example, **Novatronics** of Stratford, Ontario, manufactures aircraft components. It wanted its supplier, F.A.G. International, to cut the lead times needed for delivery of bearings. Novatronics shared its production forecasts with F.A.G. International, on the strength of which the latter pre-ordered the components that it needed to manufacture the bearings. As a result, lead times were reduced from 26 to 30 weeks to eight to 10 weeks.

"The key is to understand exactly where your company's value-added lies."

Baseline Market Research

The strategy of effective relations with suppliers has been successfully pursued by Baseline Market Research of Fredericton, New Brunswick. With seven full-time and 25 part-time employees, the company offers a full-service market research capability. For certain specialized functions, however, the company turns to highly qualified external experts: one of its recent projects, for example, required a unique combination of high-level French-language interviewing skills and knowledge of a particular technology that was sub-contracted to an outside specialist.

As company founder and owner, Linda Dyer says: "The key is to understand exactly where your company's value-added lies. First build up the basic in-house capabilities that are essential to your business. You can then go to outside suppliers for specific expertise that you only need occasionally." In the six years that Baseline has been in operation, Dyer has noticed a general trend toward more sub-contracting among businesses. This places a greater reponsibility on small business owners to control the process, maintain quality and preserve the bottom line. As a result, says Linda Dyer, "You have to manage a lot more than you thought you were going to when you first went into business."

Companies that are successful in the relationships with suppliers work hard at keeping the lines of communication open. Those companies are careful to keep in close touch with those who supply their financing, whether the sources are banks or investors. They exchange visits, report regularly on progress, inform them early of any difficulties, anticipate shortfalls in cash flow and prepare suggestions in advance to deal with problems. The watchwords are "no secrets, no surprises". As a result, the company can look to its financial suppliers to offer help when needed and count on them not to withdraw that help at a critical moment.

The same practices that serve companies well in their relationships with their financial suppliers can be equally useful in forging relationships with other types of suppliers. For example, companies are devoting more resources to cover group or individual on-site visits with the supplier. They are entering into extensive and ongoing consultations that even include some joint business planning. Some are investing in shared training and educational initiatives to establish common values and understanding. And some are even investing in new communications technologies as a way of strengthening and automating relations with suppliers.

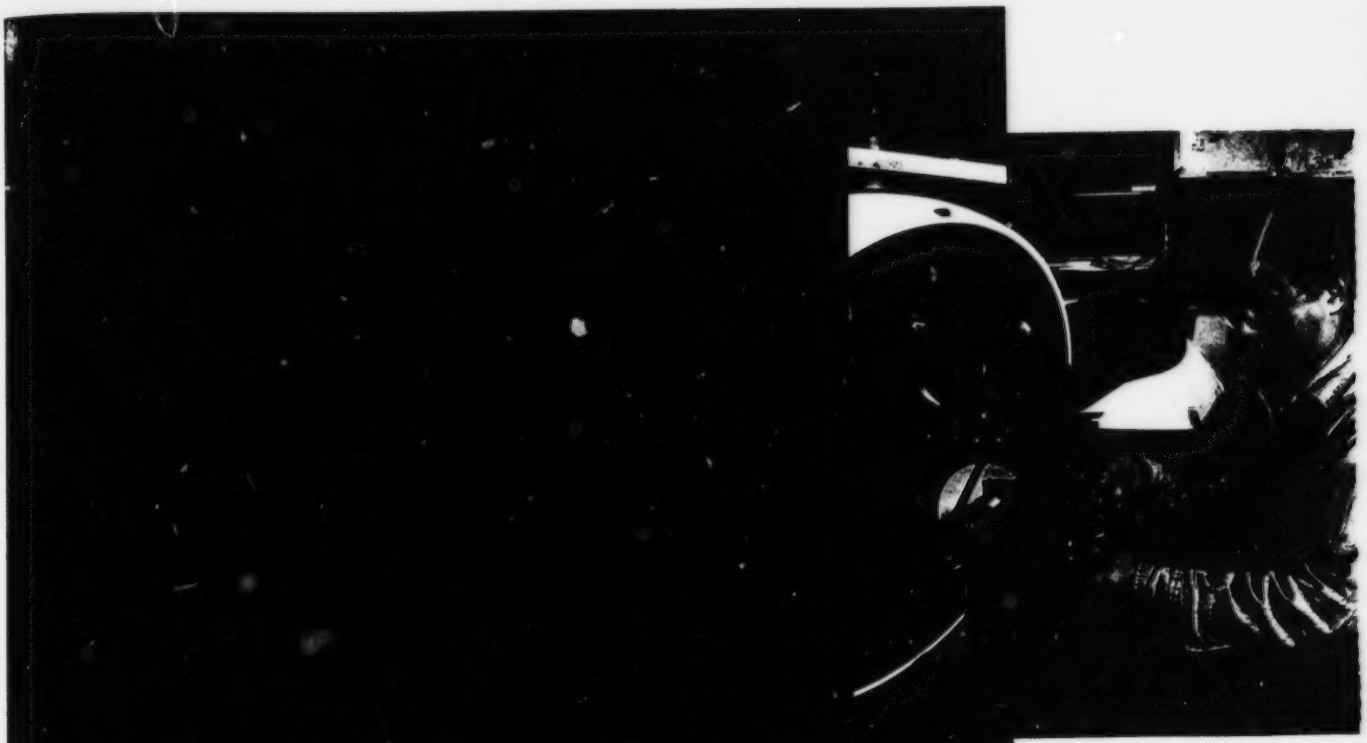
In manufacturing, companies are undertaking co-operative engineering projects as a way of responding quickly to changes in market demand. Companies and their suppliers often also co-operate to set up a highly integrated manufacturing process. They work together to simplify shipping schedules and procedures. And the best companies do not hesitate to transfer additional work to suppliers if they can handle it better. Not only does that display good will, it may also improve overall operational efficiency.

One traditional argument for keeping work in-house was that by controlling it, a company could assure itself of quality, consistency and security of supply. These attributes, however, can also be built into any relationship with suppliers provided that it is an ongoing and mutually beneficial partnership. Representatives of both the buyer and supplier can work together to establish targets and standards, to develop unambiguous systems for measuring performance and to develop an action plan for improving performance over the longer-term.

Nevertheless, effective co-operation requires ongoing tracking and assessment. Companies are looking at more than just the products they receive from their suppliers. They are also looking closely at the process through which co-operation occurs. They are developing measurement systems designed to improve the way a supplier operates and not just rate current performance. And when the supplier exceeds targets or delivers superior performance, companies are quick to offer appropriate rewards and incentives.

Rating systems that track supplier performance and provide feedback for improvement also allow companies to monitor the success of the relationship. Regular reports will quickly show managers if the relationship is heading in the right direction. They will suggest where and how improvements can be made. And they can alert a company to the need to terminate a relationship with a poor supplier before it suffers too much damage. It should be added that such practices are relevant regardless of the sector or role in which companies find themselves.

In some cases, a company may ask its supplier to share financial information as a way of determining fair prices within the context of an exclusive sourcing agreement. Certainly buyers and suppliers working in a close relationship will co-operate on financial issues such as product invoices, discounts, special charges and quotations. Payment schedules are also vital, especially if both the buyer and supplier are smaller firms with thin financial cushions. Multi-payment contracts and progress payments are one common way of dealing with fluctuations in the cash-flow, especially for projects with long



"We help our suppliers and they are often the source of new ideas."

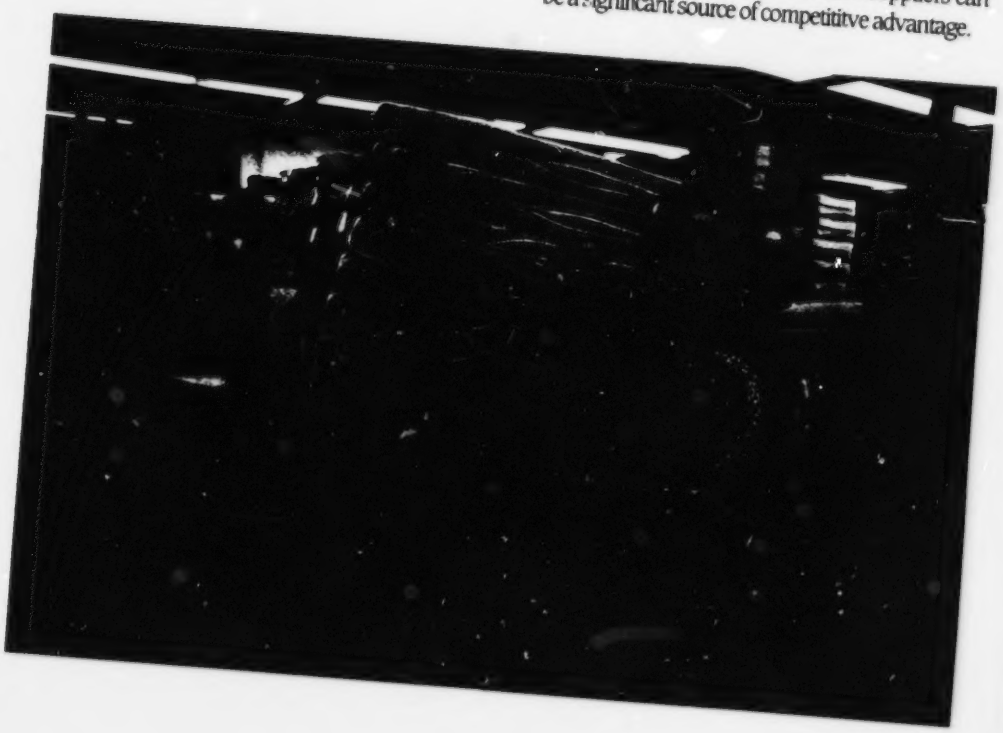
lead times. Suppliers can also be a source of financing for smaller firms. Those enjoying a close relationship with suppliers may be able to negotiate extended payment terms that can take them through lean times.

The best communication is always in two directions. Smaller companies take the opportunity of a close relationship with suppliers to learn from them. In the case of business advisers such as accountants and tax planners this is obvious since they are engaged to guide the operations of a business. It may be less obvious in the case of other types of service-providers that may still offer valuable insights on how to improve operational details. Distributors may offer useful suggestions on how to improve expediting procedures. In helping to shape a company's messages, communications specialists may actually enhance its strategic focus.

Summary

Few businesses can exist without suppliers. Smaller companies are discovering there are major benefits to be gained from developing close and effective relationships with suppliers. Success requires clear objectives, effective communication and a willingness to experiment. It requires a mutual trust and a willingness to co-operate over the long term. And it requires companies involved in an ongoing relationship to replace the traditional "us vs. them" mentality with recognition that the success of both the buyer and its supplier depends on their ability to use their relationship to satisfy end users.

The best companies are willing to make the investment in their suppliers. They recognize that the relationships they develop with their suppliers can stimulate innovation, enhance corporate practices, promote efficiency and improve the products and services they offer customers. In a very real sense, the relationships that companies develop with their suppliers can be a significant source of competititve advantage.



Employees as Stakeholders

The new competitive environment places a special premium on the efforts of employees. Companies cannot deliver quality without motivated people willing to pay attention to detail. They cannot reap the benefits of advanced technology without people adaptable and qualified enough to master its possibilities. They cannot make use of the latest best practices without flexible and trained people capable of team-work and creative problem solving. As a result, leading edge companies are taking a new look at their relationship with the people that work for them. They are redefining the relationship between managers and employees, seeking to transform their people into stakeholders with a keen interest in the success of their organizations.

In the mid-1980s larger companies realized that they were not flexible enough to compete effectively with their smaller and/or more focused rivals. To overcome bureaucratic inertia, many larger companies began downsizing. For their part, smaller companies learned an important lesson. They stopped trying to duplicate in miniature the elaborate hierarchies of their larger rivals, and began to see their own simpler organizational structures as a source of competitive strength. Small business owners are coming to view their workers as their most important resource. For example, in their corporate planning they are focusing on sales per employee instead of on average wage rates. And the best small companies tend to have more flexible, informal working environments with open communication, constant feedback, performance appraisals and even peer reviews. Operating from the premise that employees are responsible, companies are involving them more directly in decision-making. And managers are tending to use coaching, leadership and constructive criticism instead of traditional discipline and control.

For example, **Northern Airborne Technology Ltd.**, of Kelowna, British Columbia, employs 23 people to design and manufacture communications systems for aircraft. The company has a flat organizational structure, a limited number of titles and a conviction that every job is important. It believes that employees are in the best position to assess problems, develop solutions and satisfy customer requirements. To help them do their job better, it provides weekly financial and operations reports to all employees. A 20–page employee hand-book explains the company mandate and the importance of customer satisfaction. Weekly staff meetings provide briefings on key events such as trade show attendance. Employees are put on a profit-sharing plan after one year of service and there is an employee-ownership plan after two years of service. Since 1979, the com-pany has lost only two employees, one of whom subsequently rejoined it.

Modern information and communications technology has played an important role in shaping the relationship of small businesses with their employees. Decision-making tools such as computers and databases can now be extended into all parts of the organization. As a result, information can be shared among all members of an organization and middle management, which traditionally gathered and analyzed information, has yielded some of its decision-making functions to the factory floor or to the service worker. This evolutionary process, however, requires employees able and empowered to make decisions at all levels of the organization.

Defining Needs

A combination of competitive pressure, rapid technological change and a contracting labour market is driving even the smallest companies to develop human resource strategies. Only through careful planning can they be certain that they will have the right people with the right skills at the right time.

Strategic human resource planning starts with clear corporate objectives as expressed in a business plan. Many companies develop their plans in consultation with their employees so that those charged with implementing a strategy can comment on whether or not it is feasible. Based on the plan, a human resource strategy can be developed from an inventory of current skills and capabilities within the company; a projection of which of these skills will remain

available after retirements or attrition; and a projection of what skills will be required given the overall business plan. If a shortage is expected, the company can draw up an action plan detailing whether such shortages will be dealt with through retraining of existing employees to provide them with additional skills, or through hiring of new people with new skills.

Finding the Right People

High rates of employee turnover, whether full-time or part-time, can be costly, disruptive and demoralizing. Companies seeking to develop staff loyalty tend to develop the skills of existing employees and to promote from within wherever feasible, before they go outside the organization.

If they do have to hire from outside, successful companies treat hiring as part of their overall corporate strategy. They use their marketing skills to attract possible recruits but they also make sure to offer the kind of working environment that will attract suitable employees. That means a supportive environment that is sensitive to workers' needs and accords them a large measure of control over their workplace.

Even small companies are tending to offer "careers" rather than jobs. The definition of career, however, is changing. As companies adopt flatter organizational structures with fewer senior managers, there is less scope for climbing the corporate ladder. Increasingly, careers are being thought of in terms of successfully completing a wide variety of assignments rather than accumulating corporate titles.

When designing jobs, companies are increasingly responding to the special interests or requirements of employees. In response to demographic trends pointing to a contraction in labour markets they are casting the net wider and seeking to attract a new labour force with a larger proportion of retirees, stay-at-home mothers and the handicapped. Companies that draw on non-traditional sources of labour are being challenged to meet their special needs. For example, in the case of employees with domestic responsibilities, they may hire two part-time workers instead of one full-time employee, allowing each to spend a part of the day at home. Companies are also confronting a more culturally diverse workforce that may require a different kind of communications effort or a sensitivity to linguistic issues, different religious practices or even dietary restrictions. The successful small businesses are those that are able to integrate such diverse factors into their human resource planning while displaying flexibility and increased sensitivity to workers' needs.

Companies are modifying their hiring practices to meet the needs of a new generation of employees. They prepare themselves better for recruitment, conducting substantive job interviews that place special importance on feedback as well as on offering candidates detailed information about the company and the prospective job for which they are being considered. With increased team work a practical necessity in many companies, a personal fit between the team and the new hire is important to ensure that the team continues to work well together. As a result, some companies involve their employees in the hiring process on the premise that the best people to judge how a potential new hire will fit in are those with whom the recruit will have to work.

Keeping the Right People

Once they find good people, the best companies do everything they can to keep them. They develop employee skills through comprehensive training programs. They encourage and motivate their people by offering them a greater voice in company affairs. They make sure to provide competitive compensation. And they offer benefits packages that are tailored to employee needs.

Knowledge House Publishing Ltd.

Knowledge House Publishing of Halifax, Nova Scotia, has developed an educational marketing tool for the pharmaceutical industry that helps pharmaceutical companies communicate with practising physicians. A computer simulation takes into account relevant medical research to develop a model patient profile. The profile is designed and tested to develop an appropriate communications solution. Representatives of the pharmaceutical companies come in for two-day training sessions after which they are ready to approach physicians.

The firm employs nine knowledge workers – all of them hard-working and committed professionals. Company president, Dr. Bernard Schelew, believes that the best way to manage such people is to be open, give each of them a great deal of freedom and trust them to do the job. He says, "You have to give everyone responsibility and control over their job and reward results instead of process. I don't watch what people are doing. I just look for delivery when promised."

Schelew is able to entrust employees with responsibility because he takes care to hire the right people. Knowledge House only hires people for a specific job. "We never hire on spec and we never hire potential. We hire for a specific purpose and we look for people who have the ability and the right attitude to do it," says Schelew. "We never create a job for a person. We might ask the right person to wait until we have an opening. But I've learned you have to really need someone and have their job completely defined before it makes sense to hire."

Often a new worker is hired because an existing employee is overworked. In that case the employee, other members of the group and Schelew discuss the nature of the position, the skills required, and the type of person that would fit into the organization. Then the group hires the new employee. It is also responsible for firing if things don't work out.

Knowledge House puts a high priority on personal growth and encourages experimentation. New employees work directly with the person whose job they will be doing. Initially they learn to perform the same task, eventually they are encouraged to improve upon it. Group problem-solving is also common. The R&D group might bring a fresh perspective to a marketing problem. And group discussions also offer an opportunity to see employee abilities in a new light. As Schelew recalls, "One secretary exhibited such insight and ability at these sessions that she has assumed a new job with much greater responsibility."

Knowledge House offers its employees a profit-sharing plan that is pro-rated according to salary level. The plan may contribute between six and 10 percent to an individual's total compensation. The company uses a large bulletin board to track annual goals and quarterly goals, financial objectives and production schedules. At the end of each quarter, it holds a little celebration and distributes profit-sharing cheques. Because the results are quarterly, people can quickly make a link between effort and reward. As Schelew says, "It's important to make incentives relevant."

> "You have to give everyone responsibility and control over their job and reward results instead of process."

Training

Canadian businesses of all sizes are coming to understand the importance of training. As fewer skilled workers enter the workforce, companies are recognizing the fact that training offers them an opportunity to develop the skilled people they need without the costs and disruptions associated with assimilating new hires. Training has also become an important way in which companies can offer their employees the incentive of career advancement as a way of keeping them motivated and loyal to the organization.

Current trends suggest that in the future, training will not consist of a two-day seminar or a month-long apprenticeship. It will be an on-going process lasting throughout the individual's association with an organization. It will also involve the development of multiple skills allowing employees to perform a variety of functions within an organization. With some compensation systems providing a reward for the completion of courses, employees will have an incentive for continuous learning.

For many small businesses, training means helping employees understand and use the new technologies that can be a source of competitive advantage. Technical training can take the form of learning on the job (apprenticeship), it can involve special in-house sessions, or it might be conducted by external specialists. Often technology providers will offer training as part of their after-sales service to buyers.

In addition to technical training, many companies are also offering their employees courses on sales and management. And because of the increased importance of interpersonal relations and decision-making, some employees take advantage of training in group problem-solving, quality improvement, interpersonal relations, work methods and self management. As training subjects evolve, careful companies are constantly evaluating their training activities to ensure that they remain relevant and useful to corporate goals.

Formal in-house training can be provided by external experts specifically contracted for the task, but there are other ways in which small businesses support training initiatives. Companies can reimburse employees for successful completion of relevant courses at a local educational institution. Some may offer educational leaves of absence or scholarships. Several smaller firms might also join forces to share the costs of developing a training initiative.

Perhaps the biggest training concern of small business owners is that they will help to develop employee skills only to see those employees leave and join the competition. To reduce employee migration, the best companies accompany training initiatives with other forms of motivation that keep employees with the company.

Motivation

Whether they are veteran workers or new hires, today's employees have diverse needs and objectives that go beyond simply earning an income. There are at least five major non-monetary considerations that feature prominently in employee value systems:

- the need for a balance between work and home with recognition of the importance of family time;
- the need for challenging and interesting work;
- the need for personal achievement, recognition and mobility;
- the need for personal input, autonomy and control in the working environment; and
- the need for stability and predictability.

As a way of responding to these motivating factors, some small businesses are emphasizing consultation and team-work in their

relationships with employees. They seek to harness the intelligence, experience and viewpoints of all workers by encouraging them to participate in decision-making and power-sharing. For example, **Regional Steel Works,** of Ottawa, is a steel fabricator employing some 35 people with revenues of $5 million. The company owner, Fred Simon, is a former diving coach who applies what he learned about motivating athletes to motivating his employees. A firm believer in an open-door policy, he talks to most of his employees daily. He makes sure that everybody knows what they're expected to do, setting out goals every Monday morning at a meeting with senior staff. He believes in developing internal talent and has promoted all four crew foremen from within the firm. He is also quick to reward performance with bonuses or with a stake in the company; seven senior employees own shares that pay dividends four times a year.

The most enlightened companies are also motivating their employees by demonstrating that they care about their welfare. They build morale through employee assistance programs that offer personal assessment and counselling services to those with personal problems such as substance abuse or marital difficulties. Such programs can be especially important to small businesses where just one employee experiencing difficulties can have a profound effect on company performance.

Compensation

Despite the importance of non-monetary considerations, people still work to earn a living. Employees naturally seek to maximize their earnings while companies try to reduce their fixed costs even as they invest in the active pursuit of new value. One way in which these two competing objectives can be satisfied is through pay based on the contributions made by employees. Performance-based compensation increases the incentive to work more productively as employees are given a share in the fruits of improved company performance. At the same time, companies can keep fixed costs lower and raise productivity by rewarding activities that meet strategic goals. As a result, more employees are being offered compensation that is tied to performance, especially if they work for companies in highly competitive industries.

To initiate contribution-based pay, companies first have to decide whether rewards are to be based on the efforts of the group or the individual or both since there is a need to balance individual achievement with the collective effort of the whole team. If group effort is to be rewarded, should it be based on the performance of specific units or on the company as a whole? Are rewards to be discretionary and subjective or can they be based on the achievement of specific, measurable targets? Should they be designed relative to base pay or should they be determined by the value of the contribution made to the company? Is it better to have a single system for the whole company, or are multiple systems more appropriate?

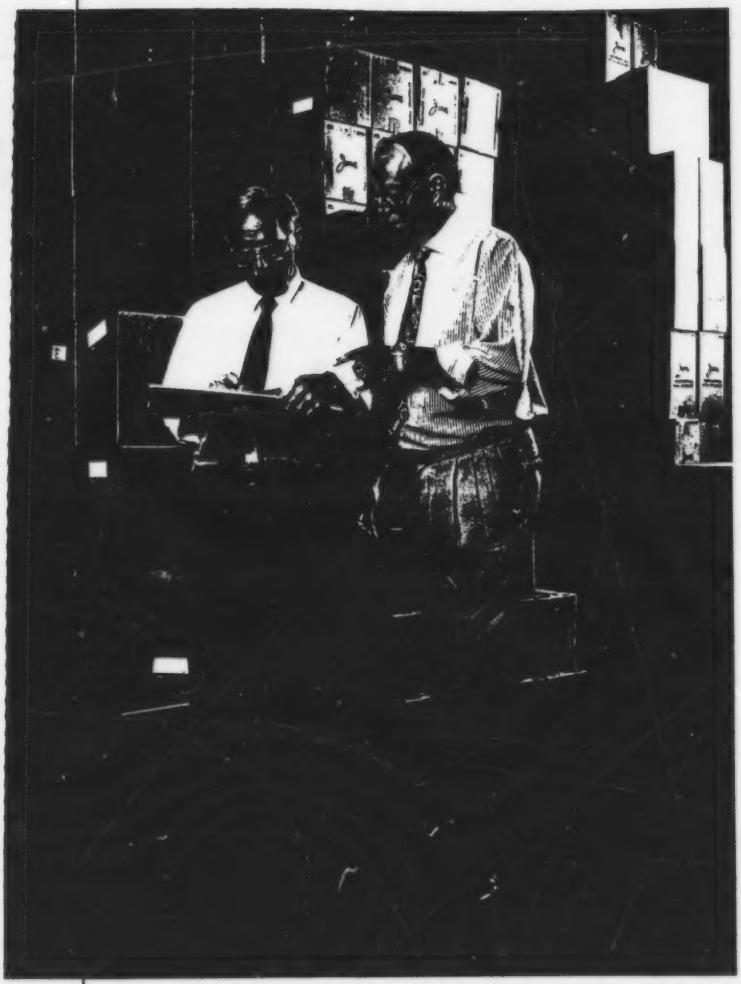
Pay for performance

Pay-for-performance is a practice that ties base salary to the work an employee does rather than to the title that he or she holds. It is designed to motivate employees to be more flexible and give up formal job restrictions. The employee is encouraged to master a number of jobs and becomes more valuable to the company because of his or her increased flexibility.

Employee share options

Employee share/stock option plans (ESOPs) are a way for employees to participate in the success of the company. Plans differ widely, however, with some companies allocating stock to be given to employees over a period of time, others offering plans that employees must buy into,

Pharmaceutical Supplies Ltd.



Pharmaceutical Supplies Ltd. of St. John's, Newfoundland, is a distributor of pharmaceutical products. The company has been growing "astronomically" in part because of the loyalty and commitment that it has been able to secure from its employees.

Pharmaceutical Supplies has an explicit policy of promoting from within. It only hires outside for entry level positions such as drivers. Everyone else in the company has worked their way through the ranks. "Its a great source of motivation," says Shannon Keough, operations manager. "Employees can see that there are opportunities for them. If they have the get-up and go, they won't stagnate." Because the company is growing quickly, opportunities abound. Employees who see a position they would like to fill are encouraged to enroll in courses and upgrade their skills in order to be eligible if the job opens up. In addition to on-the-job and in-house training, Pharmaceutical Supplies also pays employees for successfully completed course work.

The company's commitment to promotion from within has another positive effect. "Because everyone works their way up, everyone understands the problems and difficulties involved in doing a job," says Keough. "There's a basic respect for every job because we've all done them. And if someone is sick or on holiday, it is easy for others to pick up the slack. Everyone pitches in to make sure the job gets done."

At the beginning of the third year of employment each employee becomes eligible for a profit-sharing program. All employees get an equal share regardless of their position. The cash benefits are deferred until the employee leaves the company but annual statements summarizing contributions to date and interest earnings remind employees of how their efforts are being rewarded.

At Pharmaceutical Supplies morale is high and employee turnover is low. Many employees have been with the company for more than seven years. The greatest turnover is to be found in entry-level positions where young new hires may still not be sure of what they want to do with their careers. Many drivers do stay with the company, however, because they see the opportunity to grow and develop with it.

As Keough says, "We're basically a good family. We support our employees and whatever they're involved with. They know that they can go to anyone in the organization if they have a problem because everyone's door is open. We don't have formal meetings. We just have good communications."

"Employees can see that there are opportunities for them. If they have the get-up-and-go, they won't stagnate."

and still others partially subsidizing share purchases. In the U.S. companies grew 40 to 46 percent faster after they set up an ESOP. Those that combined ESOPs with employee participation in decision-making grew even faster.

Profit-sharing

Profit-sharing tends to be more common in publicly traded, and therefore larger companies that regularly divulge financial information. Smaller or privately held companies are less likely to set up a plan that would require them to share corporate information. Small business owners may be more vulnerable to the effects of leaks to competitors. They may fear that profit-sharing can have a negative impact on employee morale in a non-profitable year. Or they may worry about losing control over their business. The companies that do have profit-sharing programs, however find that the schemes are effective if the working environment is good to begin with and the employees feel part of the company. Profit-sharing enhances a good working environment, but it alone does not create it.

Gain-sharing

There is an increase in the popularity of gain-sharing, a group-based incentive program through which employees earn bonuses by identifying ways to save money, for example by reducing the costs of labour, training or materials. The company then splits any savings with the group, usually on a 50/50 basis. For companies that dislike ESOPs, gain-sharing is a definable result to the production process, such as a specific number of units produced. The manager measures the group/individual/company's typical output for a given period and then splits any productivity gain between employees and owners.

Effective compensation programs are those that are carefully designed to produce the desired result. For example, it is possible to reward teamwork, client satisfaction, volume-sales, multiple purchases or high-margin sales. Which of these a company chooses to reward depends on what type of result is most advantageous from the company's perspective. For example, **Western Industrial Ltd.**, a Calgary-based distributor of electronic control systems, has extended incentives to non-sales staff who also receive bonuses based on corporate profitability. The result has been higher productivity and lower staff turnover.

Other Benefits

Benefits packages are another way in which companies build enduring relationships with their employees. A smaller company that cannot compete on salaries may be able to enhance its ability to attract good employees by offering benefits that employees find especially meaningful. For example, companies employing a large proportion of women with young children may offer help with day-care. Such company-sponsored initiatives can improve morale, reduce absenteeism and cut down on employee turnover. It may also result in favourable publicity and improved community relations.

Benefits such as Unemployment Insurance, the Canada Pension Plan and basic health insurance are required by law. For companies that go beyond these, the more traditional offerings consist of medical, dental or life insurance. More recently, benefits packages have expanded to include features such as vacation travel, fitness plans, flexible time, job-sharing, tuition, financial planning/counselling, savings plans, retirement planning, counselling and even day-care. With this array available, it is important to choose carefully the benefits that best suit employer and employee needs.

Offering flexible benefit packages may prove costly for smaller companies as certain plans require a minimum number of participants. Smaller companies can still take advantage of these plans, however, if several of them join together. Some business associations, such as the Metropolitan Toronto Board of Trade, offer their members participation in group benefit packages. Another alternative available to smaller companies is to offer "flexible compensation dollars" to be used to supplement basic coverage. A plan is worked out for each employee to provide a package of offerings best suited to their particular needs.

Even if a small company cannot afford insurance or pension plans, it can still offer benefits in the form of flexible working arrangements. For example, **Miss Vickie's Chips** of New Lowell, Ontario, is a highly successful manufacturer of natural potato chips. The company operates on a four-day work week thereby giving its 45 employees three days off each week to spend with their families. Adaptable work schedules foster a sense of empowerment and a feeling that the company trusts and values employees. This kind of personal control can

prove to be highly motivating for workers. Flexible scheduling also allows an individual to balance competing demands. It allows two-career parents to address the issue of raising children responsibly and allows for individual personal growth.

Summary

Today's employees are motivated by concerns that go beyond financial compensation, yet small companies on tight budgets can still secure loyal and committed staff. The secret is to communicate openly with employees, find out what is important to them and be innovative in reconciling the objectives of employees with those of the firm.

Partnering

Networking and partnering have emerged as an important way in which today's companies conduct and enhance their business activities. Though it takes many forms, partnering has a common set of underlying objectives. It is a way in which companies are responding to the challenge of competition by broadening their base, enhancing their resources and extending their reach through a series of sophisticated relationships with other institutions, with strategic allies, and even with competitors.

What is Partnering

Partnering is a broad term that covers at least three distinct types of activity: networking, inter-firm partnering and co-operation between businesses and non-commercial institutions.

Networking includes multilateral co-operative relationships that do not involve a legal contract. Networking can consist of casual or irregular contacts, referrals and exchanges of information. The activities of chambers of commerce, export clubs, business intermediaries or business councils are all examples of networking.

Networking can also embrace more structured or ongoing forms of voluntary co-operation. For example, the **Groupement Québecois d'Entreprises** is a network embracing some 550 small business owners across Quebec organized into some 60 clubs of eight to 12 members each. Participants meet monthly to exchange ideas and information, to offer each other advice and assistance or to provide each other with contacts and referrals. During the regular meetings, any member can share a business problem with the other participants, looking to their opinions and experience as a way of supplementing his or her own.

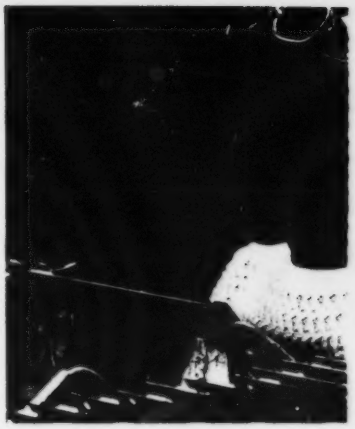
The **Manitoba Marketing Network** is a slightly different type of initiative that depends on the goodwill of some 25 senior executives who donate their time to counsel smaller enterprises on how to overcome marketing challenges. Workshops on marketing, sales and advertising are held for groups of five or six people. In addition, individual counselling is also available. A secretariat managed by the provincial government screens applicants and puts qualified companies in touch with the executive who is in the best position to help. The executive then works directly with the small business owner, offering practical advice based on years

of experience and business success. Since its inception in 1985, the network has worked with 800 to 900 business people.

There are various kinds of inter-firm partnerships, strategic alliances, joint ventures, co-operative agreements, barter and exchange arrangements all of which tend to be defined by contract and all of which have a distinct business focus.

Relationships between private-sector firms and institutions such as universities, research organizations, medical facilities and public-sector agencies are increasingly used for competitive advantage. For example, **Jutras Die Casting** is a Toronto manufacturer of auto parts that turned to the Ontario Centre for Advanced Manufacturing (OCAM) in Cambridge, Ontario, for assistance in recommending low-cost ways of improving quality. The improvements OCAM recommended were easy for employees to learn and resulted in a dramatic reduction in the company's reject rate.

Another example of business-university partnerships is offered by **Langford Inc.**, a producer of animal vaccines located in Guelph, Ontario. Founded by two veterinary professors at the University of Guelph, Langford has maintained strong ties to universities from its inception. Apart from Guelph, the company maintains contacts with the Universities of Saskatchewan and Montreal, both of which also have veterinary colleges. A key form of co-operation involves joint research. Langford receives research proposals from university staff and assesses their viability and relevance to its own program. If it decides to go forward on a proposal, it will look to the National Research Council or other government agency for additional support in the project. Before embarking on any joint research project, however, Langford makes sure that there is a clear agreement regarding manufacturing and marketing rights of the results. The patent and ownership of the product will usually reside with the university or with the researcher, but Langford will usually license it for 10 years or for specific markets. Langford also has ongoing relationships with foreign universities which conduct the product trials the company needs to get its products approved in foreign markets.



Why Partner?

Small businesses use different forms of networking or partnering to get information, resources and expertise that would otherwise lie beyond their own capabilities. Through networking or partnering, smaller companies can access management skills, sources of financing, consulting expertise and in-house information systems. They can reduce their risks, extend their reach and accelerate development.

Informal networking with acquaintances from other institutions can be a source of valuable strategic information about emerging technological trends, contract opportunities, legislative changes or economic trends. More formal partnering can be a way of expanding technological capabilities. The participants contribute their own specific expertise to the relationship, allowing each partner to focus on what they do best. They allow for several institutions to share the costs of R&D or to make joint use of facilities and experts.

For example, **Quadra Logic Technologies Inc.** of Vancouver, British Columbia, has emerged as a world leader in using drugs and specialized light to kill cancer cells partly because it has been remarkably effective at finding partnerships that reduce the risks of research and open global marketing channels. In 1985, QLT began to work on photodynamic therapy (PDT), which uses a special light-activated drug to track and kill unhealthy cells such as cancer. While QLT was working on PDT, **Johnson & Johnson** of New Brunswick, N.J., had developed a PDT drug, Photofrin, that was near commercial approval. A third company, Cyanamid was bidding on the drug but QLT approached Cyanamid directly and argued that it could buy Photofrin more cheaply after which it would collaborate with Cyanamid to exploit the acquisition. Cyanamid dropped out of the bidding, QLT acquired Photofrin for a lower price and Cyanamid then invested $US 5 million in QLT to exploit Photofrin. The two companies have collaborated closely ever since. Recently, QLT engineered another alliance with blood-banking giant Baxter Healthcare Corp. of Deerfield, Ill., to share knowledge, development costs and profits.

Joint R&D projects are a way for smaller firms to keep track of technological developments in several different areas. They can use partnerships to make sure that their own technology is compatible with emerging technological standards. There are also numerous examples of technology-based partnerships between small companies and large ones: the smaller business contributes an innovative technology while the larger firm brings capital, marketing clout and credibility. In this way, partnerships reduce some of the risks associated with developing or commercializing new technologies or new products. For example, **Creo Products** of Burnaby, British Columbia, developed a unique computer data recorder that uses lasers to encode information on metallic tape. The system stores thousands of times as much data as magnetic computer tapes and lasts two to three times as long at a fraction of the cost. Creo's strategy was to get the support of a large company rather than trying to market the product to end users on its own. In 1989, it entered into an agreement with Honeywell which agreed to use Creo's recorders in its mass-storage systems.

Partnering can serve as a way of entering new markets both at home and abroad. A partner might contribute marketing expertise, contacts, distribution channels or after-sales service networks. This can be an especially effective way for small companies to enter international markets. The partner abroad can advise on local customer preferences, provide a market presence, make all shipping and distribution arrangements and offer customers after-sales service, all of which would be far too difficult and costly to handle at long distance. For example, **Capsule Technologies** of Windsor, Ontario, manufactures gelatin capsules and develops capsule technology. In order to market its products inside the

European Community, it has entered into a joint venture with Gerreau Laboratories, a family-owned pharmaceutical concern in France.

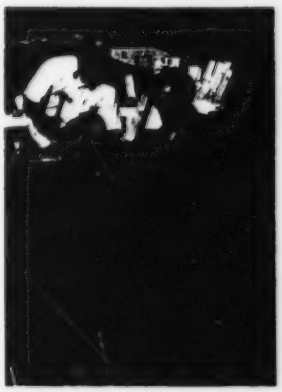
Partnering allows even small firms to leverage their own strengths and undertake more ambitious ventures. By bringing together expertise and resources from various sources, expertise that is often not otherwise for sale, it enables even small companies to acquire a critical mass and develop economies of scale without losing responsiveness and flexibility. For example, **Jetrars Freight Systems Inc.**, a Toronto-based freight forwarding service with 17 employees, entered into an exclusive agreement with **Concord Transportation Inc.**, an independent carrier. In this way, unlike other freight forwarders, Jetrars can guarantee delivery times and ensure that sensitive loads are handled with care.

In some cases, the desire to penetrate foreign markets has led to quite ambitious partnering initiatives. For example, consulting engineers in British Columbia have joined forces to market their services abroad. The **Asia Marketing Group of Consulting Engineers of B.C.** has two dozen members and represents a Canadian first. In operation for two years, the Group has put a representative into Manila to keep close to the Asia market, raise British Columbia's profile at the Asia Development Bank and spot contracts on which Canadian companies can bid. It also engages in active networking at seminars and conferences. Finally, monthly meetings encourage members to exchange information and experiences. Composed of both large experienced companies and young small firms, the Group has become a model for co-operative overseas marketing in other sectors. Through its activities, companies that might be considered competitors combine efforts in bidding on foreign contracts, a tactic that improves their chances for success.

With Whom?

Formal partnering occurs most naturally between companies with complementary skills and needs. In addition, many small businesses are also entering into other types of less formal but ongoing relationships. Some networks are being fostered through business associations, export clubs and business councils. Others are the product of initiatives by private individuals. And companies interested in perfecting their technologies find it useful to work closely with universities, federal or provincial centres of excellence, institutions such as the National Research Council or even research institutions located abroad.

Some inter-firm relationships even include companies that might have been thought of as competitors. At a time when age-old adversaries such as Apple and IBM have begun to co-operate, it is now quite common for rival companies to participate in consortia working on pre-competitive basic research. Once a technology has reached a level at which it can be commercialized, the participating companies can take their newly acquired knowledge in-house to apply it to specific products.



Companies can co-operate for other reasons. Some join forces to strengthen their purchasing, marketing, training and problem solving. For example, 15 small fashion businesses in Prince Edward Island have teamed up to enter the market under a co-operative banner. **Island Fashion Cooperative Ltd.** is comprised of local entrepreneurs in the fashion industry. The organization co-ordinates production, marketing and technical services to the fashion apparel industry. It also manufactures men's and children's wear on a sub-contracting basis.

Where to Start

Companies tend to network as a first step in moving from the general activity of keeping in touch to the more specific goal of finding a partner. Knowing what they are looking for combined with adequate preparation is the key to making a success of both networking and partnering. Joining a business association, attending business breakfasts or luncheons and participating in conferences or trade shows are all good ways of developing contacts and monitoring relevant trends. Those interested in international markets may join a business council focused on expanding Canadian trade and investment relations with a particular region

of the world. They may also participate in trade missions to or from the target country.

Intermediaries such as bankers, investment counsellors, lawyers and accountants are usually a valuable source of knowledge for those firms seeking partners. Firms also consult government officials charged with serving the needs of small business. Such officials can guide them to appropriate information, programs and services.

Summary

Companies are participating in a wide array of partnerships. The number of such relationships is limited only by a company's ability to manage them. The more closely the corporate values, objectives and capabilities of partners are aligned, the easier it is to manage the partnership and the better its prospects for success. The key is to have clear objectives and communicate those effectively to prospective partners.

Hara Products

Hara Products is a small, family-owned plastics moulding firm located in Swift Current, Saskatchewan. Founded in 1968, it has developed several co-operative arrangements with local research institutions.

For example, Hara works closely with the Saskatchewan Research Council (SRC) to develop new plastic moulds and products for general use. Once the company identifies a promising product, it contacts the SRC to get assistance in further development. Hara will do the prototype and then engage SRC for a fee to help make the required mould.

"Going to SRC is an effective way of getting the work done," says company president Tony Juffinger. "They have mould-making equipment that Hara does not have and they have computer-assisted manufacturing which we have only on a limited basis."

Since 95 percent of Hara's business involves customized moulds, having access to SRC's capabilities is an important asset. "We have a wide variety of clients and we make more than 70 products including nuclear testing devices, pick-up combs for combines, fiber-optic parts, and containers for Dairy Queen," says Juffinger. It would be difficult for Hara to serve this broad range of needs from its own internal resources. Occasionally, if the required mould is especially complicated, Hara might turn to the National Research Council in Vancouver, with which it also maintains an ongoing relationship.

Another research institution with which Hara maintains a partnership is the National Research Council's Plant Biotechnology Institute in Saskatoon. The relationship was initiated by NRC's entomology department which had developed a prototype insect trap to stop crop infestations. It wanted to find a company that could produce a plastic casing for it.

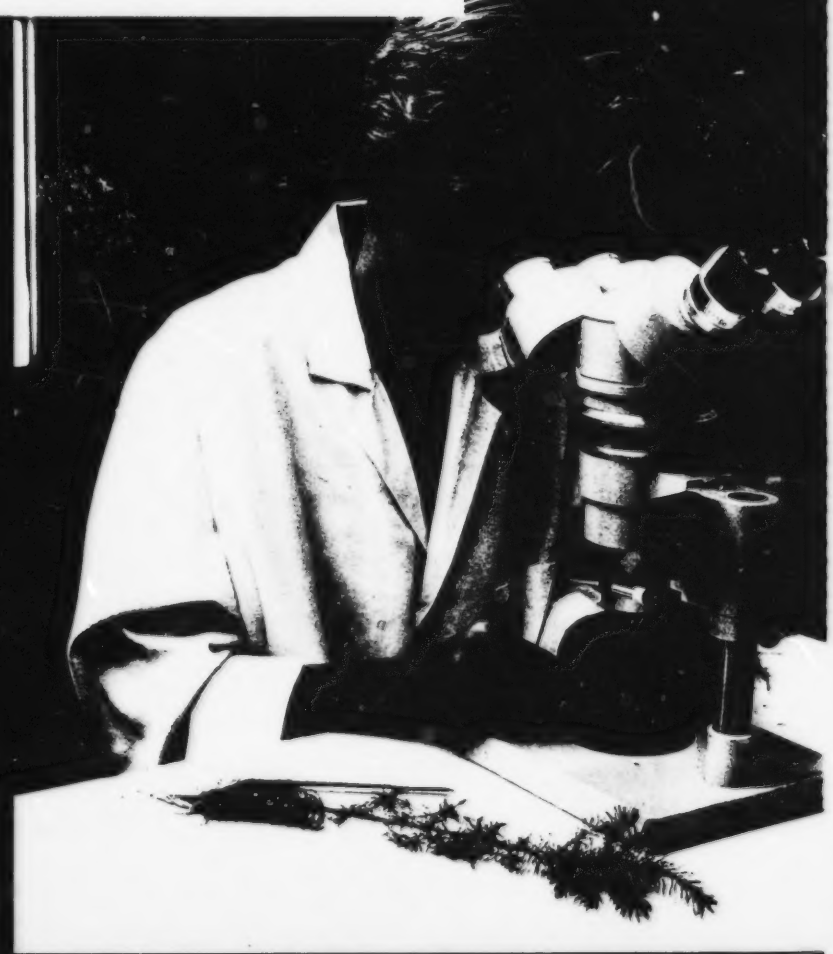
"They chose us primarily because we were the only company in Saskatchewan that had the capability to produce the casing," says Juffinger. NRC produced and funded the initial development of the mould and holds the patent to the product. Hara's participation came when the NRC needed to manufacture the product and Hara licensed it.

Hara has developed a good working relationship with NRC. As Tony Juffinger says: "They are a pleasure to work with. They have been very helpful in trying to promote the product, particularly in providing addresses. Their publication of academic papers has also been helpful in getting the product known." As a result, the product has been sold successfully in Saskatchewan, the United States, Turkey and Mexico.

"Going to a partner is an effective way of getting the work done."

SECTION 3

Government Support of Best Practices



The Government of Canada recognizes the importance of small business to the future prosperity of the country. It is sensitive to the challenges facing small businesses as they strive for the competitive advantages that can assure their future. Mindful of the success achieved by especially innovative smaller firms, the government actively seeks to help other companies learn from those experiences.

As a concrete expression of this commitment, the government sponsors the Canada Awards for Business Excellence (CABE). Established in 1984, CABE recognizes and honours business achievers, companies and other institutions. In recognizing excellence, the program encourages other Canadian companies to emulate the performance of CABE winners. The Award for Small Business Category recognizes outstanding performance and management by successful firms. There are other awards for quality, marketing, invention, innovation, industrial design, the environment and entrepreneurship. Up to three trophy winners are selected in each category by independent panels of private sector experts and business executives. Winners are granted exclusive use of the CABE logo in promoting their businesses and benefit from the prestige and recognition conferred by the program.

Many government programs for business emphasize and support the dissemination of best practices. The Appendix to this report lists the government programs and initiatives with a special relevance for small businesses. Working with other levels of government, federal agencies, private companies, industry associations, chambers of commerce, research institutions, universities and similar organizations, the government is supporting small business growth by helping firms to adopt the practices and build the relationships that can enhance their competitiveness.

Finding Customers

There are several initiatives listed in the Appendix that can help businesses find customers. For example, through Canadian posts abroad, External Affairs and International Trade Canada's WIN Export database offers information on 30 000 Canadian companies to foreign customers. ISTC's Market Intelligence Service (MIS) helps small businesses access markets by providing them with unique strategic intelligence on product characteristics, the value of sales, volumes, exports, imports and sources. The service provides information on competition in a given market as well as the potential for market expansion, investment and technology transfer.

Numerous government initiatives are designed to help smaller Canadian firms find customers abroad. Most are administered through External Affairs and International Trade Canada (EAITC). One of the most enduring of these is the Program for Export Market Development (PEMD) which defrays some of the costs associated with marketing abroad. More recent programs such as the New Exporters to the U.S. South (NEXUS), and New Exporters Overseas (NEXOS) take companies directly into target markets and help them get in touch with potential customers.

Small businesses can also benefit from the marketing assistance of regional agencies such as Atlantic Canada Opportunities Agency (ACOA) and Western Economic Diversification Canada (WD). For example, through its International Marketing Initiative, WD can provide financial assistance to companies to participate in market fairs and market seminars. A significant amount of funding under this program has been directed to small business. WD helped 92 companies participate in Globe '90, a trade show designed to help the environmental industry establish markets in the Pacific Rim and the U.S. It also helped 22 companies participate in FOODEX '91, a large food and beverage exhibition geared to Asian markets and held in Tokyo. Such trade shows provide participating small businesses with opportunities to meet possible customers, suppliers, partners and competitors.

One of ACOA's activities over the past two years has been to help prepare Atlantic entrepreneurs for the global marketplace through its New Traders Project. In partnership with Industrial Commissions and Chambers of Commerce, ACOA has delivered seminars on

trade and offered one-on-one sessions to more than 450 entrepreneurs in various communities across the region. The ACOA New Traders Business Guide is a practical training reference on international trade topics. Both the guide and training sessions focus on identifying customers in Canada, North America and the global marketplace.

Becoming a Better Supplier

The government administers a large number of programs designed to improve the technological capabilities of Canadian companies. As a first step, it seeks to raise awareness of the importance of innovation through initiatives such as ISTC's Workshops on Informatics for Senior Executives (WISE). These workshops encourage senior executives to consider the benefits of applying information technologies to their operations. Each workshop is tailored to the needs of a specific sector and emphasizes the business applications of information technology to that sector. **Comdale Technologies** of Toronto, a supplier of expert systems for process control, is developing systems for at least two mines as a result of attending the mining workshop. And Canadian meat companies established a technology steering committee to pursue opportunities identified by a WISE workshop. Two subsequent workshops and a mission to New Zealand and Australia have led to the transfer of technology from New Zealand.

As part of a general effort to raise techno-logical awareness, the Interfirm Comparison (IFC) Program at ISTC is offered to groups of manufacturing and service companies with similar operating characteristics and the potential to compete internationally. Through comparative assessment of business practices and overall competitiveness, IFC provides companies with a series of benchmarks against which to judge their own performance and identify areas for improvement.

ISTC has also created a number of Technology Assessment Services to help businesses identify specific opportunities to improve production, planning and quality. For example, the Manufacturing Visits Program arranges visits from companies considering the adoption of an advanced manufacturing technology to host companies already using that technology. **Blount Canada Ltd.** in Guelph, Ontario, manufactures 70 percent of the world market for chains used in professional chain saws and is considered a leader in total quality management. As a result of visits to Blount sponsored by the Manufacturing Visits Program, several companies are now developing action plans to improve their international competitiveness. **Brubacher Technologies,** an Elvira, Ontario manufacturer of orthopaedic footwear, used the Manufacturing Visits Program to establish ties to Winnipeg's **Otto Bock Orthopedic Industry of Canada Ltd.**, a manufacturer of prosthetics for wheelchairs. Brubacher and Bock are now looking into possible areas of co-operation. Altogether it is expected that approximately 1 500 visitors will benefit from the program in 1991–92.

The Manufacturing Assessment Service (MAS) administered by ISTC identifies opportunities for improvements in production, planning and quality through the combination of a sophisticated computer-assisted telephone diagnostic and a manufacturing consultant's visit. **Stanley Tools** of Smiths Falls, Ontario, makes metal storage units. Through MAS it received recommendations focusing on the need for a strategic plan, a shop-floor scheduling system and a training plan to streamline operations in response to growth in export orders. The firm took action on 60 to 70 percent of the MAS recommendations within three months.

ISTC's Advanced Manufacturing Technology Application Program (AMTAP) helps smaller companies identify areas where new equipment or improved use of facilities and personnel will improve productivity and competitiveness. Financial assistance is provided to companies to engage consultants to review their current operations with respect to long-term strategy and prepare an implementation plan. **Sharp Plastics** of Delta, British Columbia, is a leading manufacturer of swimming goggles. It recently turned to AMTAP to cover 75 percent of the costs of engaging a consultant to review its overall manufacturing and automation strategy. The consultant analyzed several aspects of Sharp's operations including market demand, product families, quality systems, inventory levels and the technologies being used. On the basis of the consultant's report, Sharp is combining a number of operations into production cells as a means of improving quality, reducing handling and minimizing investment in inventory. Taken together, these changes will significantly reduce the company's manufacturing costs and increase its production flexibility. In keeping with this strategy, the consultant recommended that Sharp enhance its levels of automation by investing in small and more flexible equipment instead of expensive and less flexible robotic technologies.

With $10 million of funding support from ACOA, Atlantic Canada Plus, a private sector business association, established a Supplier Development Service (SDS) in the Atlantic region. Designed to improve the competitiveness and access of Atlantic companies in securing contracts to supply goods and services to all levels of government, this service provides a simplified and efficient bid search and identification service. Opportunities are widely promoted and small firms are assisted in their efforts to acquire the quality standards and capacity requirements necessary to bid successfully on contracts.

Finding Suppliers

The Business Opportunities Sourcing System (BOSS) operated by ISTC is an extensive database of Canadian firms and their capabilities. The information in BOSS can be used to locate Canadian suppliers, to obtain market intelligence and to identify market opportunities.

The government also offers a number of services designed to help small companies find suppliers of technology. The National Research Council's Industrial Research Assistance Program (IRAP) is highly regarded by private-sector users. Its network of regional officers and technology centres is dedicated to finding appropriate suppliers of technologies for private-sector clients. IRAP is also linked to foreign technology through science counsellors in the government of Canada recognizes the Canadian posts abroad operating under the Technology Inflow Program (TIP) of EAITC. And ISTC's d**ISTC**OVERY

is a database of world-wide technology licensing opportunities which is also used in conjunction with trade shows. As a result of a lead provided through dISTCOVERY, **Ludlow Air Conditioning and Refrigeration Inc.**, a small company in Moncton, New Brunswick, is negotiating a licensing agreement with a Danish firm to manufacture refrigeration equipment in Canada.

Employees

The government believes that better human resource planning is vital for companies seeking to prepare themselves for future adjustment pressures. It is encouraging companies to improve their human resource planning as part of a more general national effort to make it an integral part of our business culture. At the same time, it is encouraging all Canadians to change their attitudes to the workplace and to education.

As a first step, the government is focusing its human resource planning efforts on several selected industries. Agreements have already been drawn up covering major industry sectors such as the Electrical and Electronics Manufacturing Association of Canada (EEMAC), and the Canadian Automotive Repair and Service Industry (CARSI). These pilot projects are intended to illustrate the significant benefits that can be derived from a sectoral approach to industrial training and the government is encouraging a major expansion of this activity to include as many other sectors as possible.

Although job training is primarily a pri-vate sector responsibility, the government has an important role to play in facilitating the development of strategies for raising employee skill levels. It has made funds and expertise available to build networks of organizations that share human resource concerns, provide financial and technical assistance for the analysis of human resource issues, assist in the development and implementation of employment equity plans and provide seed funding for select initiatives such as the establishment of national occupational training centres.

A key role in this process is being played by Employment and Immigration Canada (EIC) which is developing training programs designed to produce flexible, well-trained employees. The Skills Investment Program helps employees and employers prepare and adjust to changes in jobs through flexible training and work-sharing packages. The Skills Shortages Program is designed to train people in occupations where workers are in short supply. The Community Futures Program supports locally based training and employment initiatives. EIC also manages the Canada Employment Centres where small business people can get a wide range of advice and assistance on human resource planning, recruitment, benefit packages and training.

A good example of how companies can use government help to develop a human resource strategy is offered by **Rogers Foods** of Armstrong, British Columbia, a producer of flour and cereal products. In 1989, the company secured some financial assistance from the Industrial Adjustment Services (IAS) Program offered by Employment and Immigration Canada. A committee was formed with representatives of both management and employees as well as a neutral chairperson. The committee designed a policy and procedures manual as well as formal evaluation procedures to replace previously informal and inconsistent practices. The company then took advantage of additional IAS funding to hire a consultant who prepared an inventory of employees' skills. The company gained a documented profile of its workforce and an understanding of everyone's individual capabilities. It discovered, for example, that several employees spoke two or three foreign languages that could be useful in marketing efforts abroad. Based on the consultant's identification of its human resource needs, the company is now embarking on an ambitious training program.

An example of an ISTC regional training initiative geared to management is the Strategic Threshold Enterprise Project (STEP). It targets small businesses in British Columbia that have the potential for rapid growth. The objective is to develop an action program that will teach executives in those companies how to manage growth and to support expansion through the effective use of external resources such as consultants, lenders, professional advisors and information services.

ACOA has supported several projects designed to assist small firms in developing technical expertise. The Industrial Outreach Program at the University of New Brunswick develops and transfers technology to industry with an emphasis on helping smaller firms that lack management and scientific expertise. Engineering and technology graduates are placed in client firms to address specific technological gaps or business opportunities. A similar program at the Nova Scotia Research Foundation Corporation is also supported by ACOA. These projects not only assist recent graduates in finding employment opportunities and expose them to small firm environments, they also increase the competitiveness of participating small businesses.

Partnering

The government has been the catalyst for the creation of nation-wide networks designed to promote co-operation between small businesses and various kinds of institutions. For example, it has promoted the creation of Networks of Excellence that integrate researchers from industry, universities and government into interrelated grids. There are now 500 researchers participating in 15 such networks across the country. Through the Strategic Technologies Program, ISTC encourages firms to enter into networks in order to accelerate research and development in informatics, biotechnology and advanced industrial materials, technologies that are crucial to future competitiveness across a number of industrial sectors.

Federally-sponsored Innovation Centres in Waterloo and Montreal serve as lynch pins for a number of Canada's technology-based networks. For example, their technological advice is used in the Technology Outreach Program (TOP) which promotes the diffusion and transfer of technology. The program supports the establishment of private-sector non-profit technology centres that will accelerate the acquisition, diffusion and development of technology and skills, especially among smaller companies. Such centres are usually based on alliances among universities, business associations and private companies. Centres already established include the Management of Technology Institute, the Textile Technology Centres, the Canadian Plastics Institute, the Welding Institute of Canada and the Canadian Advanced Industrial Materials Forum.

The Advanced Industrial Materials Forum is a typical example of how TOP works. De-signed as a non-profit national network of scientists, industrialists and engineers, the Forum accelerates information exchanges, identifies emerging technologies and applications, specifies markets and facilitates joint planning. This project-oriented national information network removes barriers to applications and encourages collaborative research in the development of advanced industrial materials.

The regional economic development agencies also promote networking and inter-firm partnerships. For example, WD provides financial assistance to an industry sector, often through industry associations, for co-operative projects designed to enhance technological

capabilities or production processes. In June 1990, WD funded a feasibility study for the Saskatchewan Outfitters Association to help it improve transportation, marketing and customer service in the industry. WD has also provided funding for more general partnering efforts such as a symposium to improve relations among business, labour and government.

ACOA has created a network of resources to support small- and medium-sized enterprises. It has set aside close to $100 million to stimulate linkages among universities, research institutes and industry in support of both basic and applied research, technology enhancement and the provision of specialized management and technical services to small businesses. The resource network includes organizations such as the New Brunswick Research and Productivity Council, the Prince Edward Island Food Technology Centre, the Centre for Fisheries Innovation in Newfoundland, the Applied Microelectronics Institute in Nova Scotia and the CAD/CAM Centre at the University College of Cape Breton. In addition, ACOA has entered into partnerships with several universities to establish Small Business and Enterprise Centres that provide counselling to local business people to help them start and grow their ventures. The majority of projects concentrates on industry-led problems and opportunities. For example, the Applied Microelectronics Institute helped a Nova Scotia company to develop and market an innovative electronic parking meter.

Another type of networking is promoted by Multiculturalism and Citizenship Canada. Canada's ethnocultural business community makes a significant contribution to the domestic economy and ethnocultural entrepreneurs can play an important role in penetrating overseas markets as a result of their linguistic skills and cultural knowledge. The Multiculturalism Secretariat works to ensure that these businesses have full access to government programs and information on business opportunities and financing options. At the same time, it wants the Canadian business community at large to be aware of how ethnocultural skills can be used to advantage in international trade. To this end, the Secretariat has served as a catalyst in the creation of ethnocultural business advisory councils. Working closely with the FBDB, these councils bring together ethnocultural business associations to exchange information and explore initiatives for the future.

Apart from networking, the federal government also promotes more formal types of industrial co-operation among companies. The government is keenly aware of the value that strategic alliances can play in strengthening smaller companies, especially when it comes to technology. A recent survey found that 34 percent of Canada's small high-tech firms had been involved in an alliance, primarily for technology, market or cost advantages. Through ISTC's Entrepreneurship and Small Business Office (ESBO), the government has sponsored seminars and publications designed to help all smaller firms, whether technologically based or not, take advantage of some of the benefits conferred by strategic alliances.

Summary

The Canadian government maintains a broad array of programs that encourage small businesses to adopt leading edge practices. Proactive and national in scope, these programs are more complex than previous initiatives. Many of them focus on science and technology as the bedrock of industrial competitiveness. Because the accent is on diffusion, preferred mechanisms include research consortia, strategic alliances, networks and partnerships among universities, government, labour and the private sector. Aware of the limits to what the public sector can do, the government sees its role as providing a nurturing environment in which it is easy for business to talk to business about what practices work best.

Conclusion

This report has described some of the best practices that small businesses are using to build closer relationships with customers, suppliers, employees and with other institutional partners. These practices, and the relationships they support, are driven by one common objective: satisfying customers by providing them with products and services of the highest quality. Successful companies are those that can deliver an optimal combination of features in a complete product or service package, on time, to specification, at the right price, with appropriate support and service.

Everything a company does will ultimately affect its ability to deliver such products or services to its customers. No detail is unimportant nor is it too small to ignore. Competitiveness results from arranging all operations and interactions to maximize the satisfaction offered customers.

The best companies mobilize all of their resources in the pursuit of customer satisfaction. Management is dedicated to ensuring that the necessary support and services are provided to both employees and suppliers. Employees are assigned direct responsibility for satisfying customers and are given incentives to do so. Suppliers are involved closely and directly in improving quality. And partners are brought in to enhance a company's own resources with additional capabilities.

There is no one formula that will apply to every company. Each business is unique. The most successful companies are those with an open attitude and a willingness to experiment. They pick and choose among existing best practices, applying them in a distinctive way as they seek to develop a decisive competitive advantage.

Future challenges

Best practices in co-operative relationships are vital in helping smaller companies to meet the competitive challenges of the future. The past contribution of small firms to the economy has been exceptional yet the future will demand ever greater effort and commitment. There are five basic challenges that Canadian businesses of any size confront:

- Canadian business exists in a global economy which is impossible to avoid. Canadian firms must strengthen themselves for international competition. The focus on exporting to key markets must be accompanied by a search for new partnering and investment opportunities abroad to enhance the Canadian position at home and abroad.

- Canadian companies live in an environment of continuous and accelerating scientific and technological change. This requires developing and extending scientific and technological capabilities through more effective linkages among companies, universities, research institutions and government. A key challenge for Canadian companies is to promote the diffusion of innovative and best practice technologies through a process of identification, acquisition and commercialization.

- Continuous change demands continuous learning. Companies need highly educated, flexible and skilled people able to adapt to the demands of a technologically sophisticated environment. They need mechanisms that can develop their employees' capabilities to keep up with change.

- Competitiveness needs to be financed. Companies cannot invest in best practices, co-operative relationships or the search for quality without adequate financial resources. The need for financing alternatives that are more closely attuned to the special needs of smaller companies remains an urgent priority.

- Smaller companies need a supportive entrepreneurial culture if they are to flourish. They do best when they are part of an environment that promotes entrepreneurship and risk-taking, that encourages learning, experimentation and growth, and that helps business people adopt best practices in their ongoing search for competitive advantage.

No company can meet these challenges on its own. As this report has suggested, the adoption of best practices and the achievement of competitiveness can not be done in isolation. They require partnership and co-operation. Real progress lies in the effective integration of a diverse array of relationships, capabilities and techniques into a cohesive strategic advantage. True competitiveness arises from determined co-operation among companies, customers, suppliers, employees, educational institutions, research organizations and governments. All must be prepared to enter into new partnerships that respond to rapidly changing conditions, identify future goals and specify the best ways of achieving them.

APPENDIX

Government Sources of Assistance to Small Business

- Industry, Science and Technology Canada (ISTC)
- Atlantic Canada Opportunities Agency (ACOA)
- Canadian International Development Agency (CIDA)
- Employment and Immigration Canada (EIC)
- External Affairs and International Trade Canada (EAITC)
- Federal Business Development Bank (FBDB)
- Multiculturalism and Citizenship Canada (MC)
- National Research Council (NRC)
- Statistics Canada (SC)
- Supply and Services Canada (SSC)
- Western Economic Diversification Canada (WD)

INDUSTRY, SCIENCE AND TECHNOLOGY CANADA

Industry, Science and Technology Canada (ISTC) was created with a broad mandate to improve the competitiveness of Canadian industry. In the area of small business, it has been given specific responsibility to:

- develop, implement and promote national policies to foster the international competitiveness of industry; the enhancement of industrial, scientific and technological development; and improvement in the productivity and efficiency of industry;
- promote the mobility of goods, services, and factors of production within Canada;
- develop and implement national policies to foster entrepreneurship and the startup, growth and expansion of small businesses;
- develop and implement national policies to promote and expand tourism;
- develop, promote and coordinate national policies and programs respecting industrial benefits from procurement of goods and services by the Government of Canada;
- promote and provide support services for the marketing of Canadian goods, services and technology; and
- promote investment in Canadian industry, science, and technology.

ISTC Regional Offices

The regional offices work directly with Canadian companies to promote industrial, scientific and technological development. They help clients seize opportunities in a competitive international marketplace by providing services in the areas of business intelligence and information, technology and industrial development, and trade and market development. They also promote and manage a portfolio of programs and services.

The following are areas in which ISTC regional offices have special competence:

- access to trade and technology intelligence and expertise;
- entry points to national and international networks;
- industry sector knowledge base;
- International Trade Centres connected to EAITC posts abroad; and
- client focus on emerging and threshold firms.

ISTC Business Service Centres

ISTC Business Service Centres can provide your firm with the help it needs in a world where knowledge and contacts are critical ingredients for business success. Located in all ISTC offices, these centres provide a gateway to the complete range of ISTC services, information products, expertise and programs. They also refer clients to other federal, provincial and municipal services. Each contains a reference section of practical publications, videos and computer databases, as well as video-viewing facilities. As part of ISTC's effort to serve the technological and scientific needs of businesses, the Business Service Centres work closely with the Canadian Patent Office of Consumer and Corporate Affairs Canada to provide advice, counsel and information on patents, copyrights, trademarks and industrial design.

ISTC Regional Development Initiatives in Ontario

Objectives:

- To promote economic development in areas of Ontario where low incomes and slow economic growth are prevalent or where opportunities for productive employment are inadequate.
- To emphasize long-term economic development and sustainable employment and income creation.
- To focus on small– and medium–sized enterprises (SMEs) and the development and enhancement of entrepreneurial talent.

These objectives are pursued through FedNor, a special initiative administered by the FedNor Secretariat of ISTC to provide assistance for SMEs in Northern Ontario. Its programs include:

- The Rural Small Business Assistance Program;
- The Core Industrial Program;
- The Loan Insurance Program;
- The Tourism Assistance Program.

The FedNor Procurement Initiative is a joint effort of Supply and Services Canada and FedNor to help Northern Ontario businesses gain access to federal procurement and expand their markets. Its main thrusts are supplier awareness, supplier development and quality management. Contact:

FedNor Secretariat
302 Queen Street East
SAULT STE. MARIE, Ont.
P6A 1Z1

Tel.: (705) 942-1327
Toll free: 1-800-461-6021

Small Business Loans Administration

Since its inception in 1961, the Small Businesses Loans Act (SBLA) has provided almost $8 billion in business improvement loans to over 280 000 Canadian small firms. This initiative is designed to help new and existing small businesses obtain term loans of up to $100 000.

Nearly 50 percent of the loans have been made to assist start-up firms in the financing of specific fixed asset needs. Small firms operating in the communications, construction, fishing, manufacturing, retail and wholesale trade, transportation and service businesses may be eligible for various forms of business improvement loans — land, premises, fixed equipment or movable equipment.

All the chartered banks and numerous other designated financial institutions are authorized to make business improvement loans under the SBLA. Small firms seeking assistance under the SBLA should discuss their financial requirements with their financial institution.

For more information concerning the program, contact:

Small Business Loans Administration
Industry, Science and Technology Canada
OTTAWA, Ont.
K1A 0H5

Tel.: (613) 954-5540

International Trade Centres

International Trade Centres, located in each ISTC regional office, are jointly administered by EAITC and ISTC. They provide counselling, information and financial assistance to help firms expand their exports. They are an important first step for firms interested in doing business overseas.

ISTC Business Intelligence

- The Business Opportunities Sourcing System (BOSS) is a computerized databank that profiles over 26 000 Canadian companies. It lists basic information on products, services and operations that is useful to potential customers. The system was established in 1980 by ISTC in co-operation with participating provincial governments. BOSS was originally established so that trade commissioners posted around the world by External Affairs and International Trade Canada could find Canadian companies that might be able to take advantage of foreign market opportunities. Today, however, over 11 000 domestic and international subscribers use the system not only to locate Canadian suppliers but also to obtain market intelligence and identify market opportunities

The majority of subscribers are Canadian companies. Contact: ISTC – BOSS, (613) 954-5031.

- **The Market Intelligence Service** provides Canadian business with detailed market information on a product-specific basis. The service assists Canadian companies in the exploitation of domestic, export, technology transfer and new manufacturing investment opportunities. The intelligence is used by Canadian business in decisions regarding manufacturing, product development, marketing and market expansion. The information includes values, volume and unit price of imports, characteristics of specific imports (e.g. material, grade, price range, etc.), names of importers, major countries of export, identification of foreign exporters to Canada, Canadian production, Canadian exports and U.S. imports. Two-thirds of the clientele for this service are small businesses. Contact ISTC – Market Intelligence Service, (613) 954-4970.

- **d!STC**overy is a service of ISTC that is designed to help SMEs. It is a tool for discovering and acquiring new manufacturing opportunities emerging from a world-wide explosion in technology developments, new products and new processes.

d!STCovery provides access to international data sources containing thousands of licensing offers for new products, processes and technology originating from around the world. It introduces companies and organizations which are willing to license the rights to manufacture and sell their products in agreed market areas. The reverse is also possible. Canadian companies can also list their licensable products on the system. Contact your regional ISTC Business Service Centre.

- **The Cooperative Overseas Market Development Program** is based on tripartite agreements among the governments of Canada and individual provinces and certain wood products industry associations. The key objectives of the agreements are to expand and protect overseas markets for solid wood products. Efforts are concentrated on developing new markets, protecting existing markets, identifying new product opportunities and monitoring attempts to introduce tariff and non-tariff barriers against Canadian exports. Currently, the only two such agreements that exist are with British Columbia and the Council of Forest Industries of British Columbia, and with Quebec and the Quebec Lumber Manufacturers Association.

ISTC Technology Assistance

- Centres of Excellence: The objectives of this $240-million program are to stimulate the production of leading-edge, fundamental and long-term applied research of importance to Canada; develop and retain world-class Canadian scientists and engineers in technologies that are critical to future industrial competitiveness; integrate Canadian research and technology development efforts into national networks with the participation and partnership of universities, the private sector, the federal government and the provinces, based on excellence as measured by international standards; and develop strong university-industry partnerships to accelerate the acquisition of advanced technological knowledge by industry. These networks will involve more than 500 Canadian scientists and engineers, predominantly in universities, but also in government and industry.

- The Technology Outreach Program supports the establishment of technology centres run by private-sector, non-profit organizations. Centres now in operation include the Management of Technology Institute of Canada, the Textile Technology Centre, the Canadian Plastics Institute, the Welding Institute of Canada, the Canadian Advanced Industrial Materials Forum and innovation centres in Waterloo and Montreal. This program accelerates the acquisition, diffusion and development of technology and technical skills, especially among small- and medium-sized firms.

- The Technology Outreach Directorate assists firms in identifying business opportunities involving new product lines and processes originating from innovative Canadian and international technological developments.

- The Strategic Technologies Program provides financial assistance to develop competitive strength in three key generic technologies – information technologies, advanced industrial materials and biotechnology. The focus is on the support of alliances among companies, universities and research institutes for carrying out pre-competitive R&D or pre-commercial development of leading-edge technology applications.

- The Microelectronics and Systems Development Program provides repayable contributions of up to 50 percent of eligible costs of R&D for qualifying technologically-advanced projects, with particular focus on microelectronics and systems development, to a maximum of $5 million.

- The Advanced Manufacturing Technology Application Program (AMTAP) is a national service-oriented program providing advice to small– and medium–sized firms. The purpose is to identify areas where new equipment or improved use of facilities and personnel will noticeably improve productivity and competitiveness. The demand for the service has exceeded expectations with over 400 companies benefitting from the program.

- The Defence Industry Productivity Program (DIPP) develops and maintains strong aerospace and defence-related industries across Canada and assists the industry in competing successfully over the long-term in domestic and export markets. Program elements include research and development, source establishment, capital assistance and market feasibility studies.

Aboriginal Economic Programs

Aboriginal Economic Programs (AEP) provide service and financial support to Aboriginal entrepreneurs and communities in order to strengthen Canada's Aboriginal business and capital base.

AEP programming forms part of the Canadian Aboriginal Economic Development (CAED) Strategy, a federal initiative which also involves Indian and Northern Affairs Canada (INAC) and Employment and Immigration Canada (EIC). The CAED Strategy has as its long-term goal the economic self-sufficiency of Canada's Aboriginal people. ISTC is responsible for the following:

- **The Aboriginal Business Development Program** provides financial and developmental assistance to Aboriginal entrepreneurs and communities to establish, acquire and expand commercial ventures. Key new features of the program include support for the development of business plans and the acquisition of follow-up advisory services, reflecting program service to the client through the full business cycle.

- **Joint Ventures:** ISTC investment in Joint Ventures encourages Aboriginal entrepreneurs to enter into business with the non-Aboriginal private sector. Aside from financial benefits, this arrangement enables important managerial skills and expertise to be transferred to the Aboriginal partner.

- **Aboriginal Capital Corporations (ACC) Program:** In response to the demand for capital, and the difficulties which often confront Aboriginal people in obtaining financing from

traditional sources, a number of Aboriginal commercial lending corporations has been set up with capital provided under the former Native Economic Development Program. ISTC's Aboriginal Capital Corporations Program supports and builds on this existing network of ACCs. As a result, Aboriginal communities with ACCs are able to manage their own business financing requirements, providing direct loans, loan guarantees, equity financing and, in certain cases, related advisory services.

Research and Advocacy

In addition to conducting research and policy analysis, ISTC, INAC and EIC share responsibility for the management and co-ordination of the CAED Strategy through the Research and Advocacy program.

The program contributes to studies, conferences and seminars which can lead to Aboriginal business and economic development. It also delivers public information programming.

AEP offices are located in Halifax, Montreal, Ottawa, Toronto, Winnipeg, Saskatoon, Regina, Edmonton, Yellowknife and Vancouver.

Industry, Science and Technology Canada Business Service Centres

These centres have been established at headquarters and in every regional office to provide clients with a gateway into the complete range of ISTC services, information products, programs and expertise.

Headquarters

ISTC
1st Floor, East Tower
235 Queen Street
OTTAWA, Ont.
K1A 0H5

Tel.: (613) 952-ISTC
Fax: (613) 957-7942

Regional Offices

Newfoundland and Labrador
ISTC
5th Floor
Atlantic Place
215 Water Street
P.O. Box 8950
ST. JOHN'S, Nfld.
A1B 3R9

Tel.: (709) 772-ISTC
Fax: (709) 772-5093

Prince Edward Island
ISTC
Suite 400
National Bank Tower
Confederation Court Mall
134 Kent Street
P.O. Box 1115
CHARLOTTETOWN, P.E.I.
C1A 7M8

Tel.: (902) 566-7400
Fax: (902) 566-7450

Nova Scotia
ISTC
5th Floor
Central Guaranty Trust Tower
1801 Hollis Street
P.O. Box 940, Station M
HALIFAX, N.S.
B3J 2V9

Tel.: (902) 426-7259
Fax: (902) 426-2624

New Brunswick
ISTC
12th Floor
Assumption Place
770 Main Street
P.O. Box 1210
MONCTON, N.B.
E1C 8P9

Tel.: (506) 857-ISTC
Fax: (506) 851-6429

Quebec
ISTC
Suite 3800
Tour de la Bourse
800 Victoria Place
P.O. Box 247
MONTREAL, Que.
H4Z 1E8

Tel.: (514) 283-8185
or 1-800-361-5367
Fax: (514) 283-3302

Ontario
ISTC
4th Floor
Dominion Public Building
1 Front Street West
TORONTO, Ont.
M5J 1A4

Tel.: (416) 973-ISTC
Fax: (416) 973-8714

Manitoba
ISTC
8th Floor
330 Portage Avenue
P.O. Box 981
WINNIPEG, Man.
R3C 2V2

Tel.: (204) 983-ISTC
Fax: (204) 983-2187

Saskatchewan
ISTC
401 – 119 4th Avenue South
SASKATOON, Sask.
S7K 5X2

Tel.: (306) 975-4400
Fax: (306) 975-5334

Alberta
ISTC
Room 540
Canada Place
9700 Jasper Avenue
EDMONTON, Alta.
T5J 4C3

Tel.: (403) 495-ISTC
Fax: (403) 495-4507

ISTC
Suite 1100
510 – 5th Street Southwest
CALGARY, Alta.
T2P 3S2

Tel.: (403) 292-4575
Fax: (403) 292-4578

British Columbia
ISTC
Suite 900
Scotia Tower
650 West Georgia Street
P.O. Box 11610
VANCOUVER, B.C.
V6B 5H8

Tel.: (604) 666-0266
Fax: (604) 666-0277

Yukon
ISTC
Suite 301
108 Lambert Street
WHITEHORSE, Y.T.
Y1A 1Z2

Tel.: (403) 668-4655
Fax: (403) 668-5003

Northwest Territories
ISTC
10th Floor
Precambrian Building
P.O. Bag 6100
YELLOWKNIFE, N.W.T.
X1A 2R3

Tel.: (403) 920-8575
Fax: (403) 873-6228

ATLANTIC CANADA OPPORTUNITIES AGENCY

When ACOA was created in 1987, it was meant to be a significant departure from previous assistance programs to so-called "have not" provinces. The agency works in partnership with Atlantic entrepreneurs to achieve the transition from a less productive economy to a self-sustaining entrepreneurial one, in a global context. It manages a $2.137-billion allotment assigned for economic development in Atlantic Canada. The average annual regional development spending in Atlantic Canada amounts to $425 million.

ACOA co-ordinates government development policies in the region and is the advocate of its needs and interests in national policies and programs.

Building on last year's initiative to re-orient the focus of the agency's human and financial resources, an intensive planning exercise has been undertaken. Innovation and technology transfer, entrepreneurial development, economic diversification, trade and investment promotion and human resource development are key priorities, along with continuing delivery of the ACTION and COOPERATION programs.

A significantly increased emphasis on co-ordination and advocacy is reflected by the $15-million Supplier Development element of ACOA's ACTION Program in partnership with Atlantic Canada Plus. Total public domain procurement is immense, and the objective is to help Atlantic firms participate competitively.

ACOA's entrepreneurship development objective will be to deepen the pool of personnel who possess the knowledge and ability to start their own businesses, and to create a more supportive environment for them. Networking projects will include establishing annual Atlantic Entrepreneurship Awards programs, entrepreneurship conferences for support providers, forums, and support for Community Business Initiatives .

Other objectives are to increase the number of traders and strategic investments in Atlantic Canada. Priority will be given to the ACOA New Traders Project, in partnership with the private sector, to help more Atlantic Canadians become global traders. Efforts include: monitoring trade opportunities arising from global socio-economic change; communications efforts to promote the region; trade missions and associated activities; advocacy of interests as a member of all major government committees on trade; and better co-ordination with federal and provincial bodies that influence trade and investment opportunities.

The Université de Moncton, too, is part of a valuable knowledge network. The Clément-Cormier Chair in Regional Development Research has been instituted there with ACOA's assistance. The Université de Moncton is involved with the University of New Brunswick, Mount Allison University, the University of Prince Edward Island, Acadia University, the Technical University of Nova Scotia, the Newfoundland and Labrador Marine Institute of Fisheries Technology and other research centres in matters of learning and research adapted to the special needs and opportunities of the small- and medium-sized businesses of the Atlantic region.

Enquiries should be directed to the Regional Office nearest you.

ACOA Head Office
Blue Cross Centre
644 Main Street
P.O. Box 6051
MONCTON, N.B.
E1C 9J8

Toll free: 1-800-561-7862
Fax: (506) 851-7403

Newfoundland and Labrador
Suite 801, Atlantic Place
215 Water Street
P.O. Box 1060, Station C
ST. JOHN'S, Nfld.
A1C 5M5

Tel.: (709) 772-2751
Toll free: 1-800-563-5766
Fax: (709) 772-2712

Nova Scotia
Suite 600
1801 Hollis Street
P.O. Box 2284, Station M
HALIFAX, N.S.
B3J 3M5

Tel.: (902) 426-8361
Toll free: 1-800-565-1228
Fax: (902) 426-2054

Prince Edward Island
75 Fitzroy Street
3rd Floor
CHARLOTTETOWN, P.E.I.
C1A 1R6

Tel.: (902) 566-7492
Toll free: 1-800-565-0228
Fax: (902) 566-7098

New Brunswick
590 Brunswick Street
P.O. Box 578
FREDERICTON, N.B.
E3B 5A6

Tel.: (506) 452-3184
Toll free: 1-800-561-4030
Fax: (506) 452-3285

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

The Canadian International Development Agency is responsible for administering about 75 percent of Canada's official development assistance. At least 50 percent of CIDA's bilateral aid is tied to the procurement of competitively priced goods and services from Canada, many of them provided by small firms. These may be purchased by CIDA for particular projects or be supplied under general or sectoral lines of credit provided to recipient countries. In addition, CIDA's Industrial Co-operation Program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licensing arrangements.

Industrial Co-operation Program
Set up in 1978, CIDA's Industrial Co-operation Program provides financial incentives to Canadian companies interested in entering into long-term business cooperation agreements with developing countries. The program is divided into three sections: investment, professional services and specialized activities.

The investment-oriented programs assist eligible Canadian companies, particularly manufacturers, to conduct studies on co-operation agreements in developing countries. It may also pay certain costs incurred in setting up a joint venture.

The professional services programs help eligible organizations – mainly consulting firms, financial institutions, and business associations – to conduct studies and provide professional guidance and advice to potential clients in developing countries. There are five mechanisms:

- capital project preliminary study (up to $350 000);
- capital project detailed study (up to $500 000);

- capital project support (up to $500 000);
- industrial plant rehabilitation (up to $500 000); and
- industrial planning and development (up to $500 000).

The specialized activities and programs support other activities that could have a major impact on developing countries. They include seminars, missions, technology-transfer exhibitions, specialized training institutes and the Trade Facilitation Office. For further information, contact:

Industrial Co-operation Division
Canadian International
Development Agency
200 Promenade du Portage
HULL, Que.
K1A 0G4

Tel.: (819) 997-7901
Fax: (819) 953-5024

EMPLOYMENT AND IMMIGRATION CANADA

The federal government launched the Labour Force Development Strategy (LFDS) in 1989. LFDS is a comprehensive long-range plan for building a strong, highly-skilled and internationally competitive workforce. It calls for the concerted efforts of business, labour, social action groups and individuals to increase the skills of Canadian workers and to help all Canadians achieve their full potential in an increasingly sophisticated workplace. Together, both the private sector and governments must forge a new relationship – as partners committed to labour market development.

The new Canadian Labour Force Development Board, announced in January 1991, marks an important first step. It is expected that other private sector boards at the provincial/territorial and subregional levels will be established. These boards will ensure that business, labour and other groups can play a far more direct and active role in decisions concerning skills training in Canada.

Employment and Immigration Canada (EIC) is the federal department most directly concerned with developing the country's human resources. Through its Canadian Jobs Strategy (CJS) EIC spends approximately $1.84 billion annually to augment the country's skill base and expand the employment opportunities available to all Canadians. The CJS provides skills and work experience to some 437 000 Canadians annually. Part of the program includes support for small business and entrepreneurship in the form of training, business advice and certain types of financial support in smaller communities.

Several EIC programs are particularly relevant to the human resource needs of small firms:

- The Skills Investment Program offers management and entrepreneurial training to individuals whose employment is threatened by changes in technology or markets.
- The Skills Shortages Program is geared toward training people in occupations where workers are in short supply.
- The Community Futures Program helps finance local committees made up of public and private-sector groups that develop ideas for training and employment in regions experiencing economic hardship (for example, one-industry towns faced with a plant shutdown).
- The Human Resources Planning Program offers small business employers which have labour adjustment problems the opportunity to gain skills in human resource planning. These employers can be involved in seminars, individual consultations with private sector consultants or sessions with EIC counsellors specializing in human resource planning. The successes achieved in a 1990 research project in the development of this program have resulted in the approval of a funded program to be available to targetted employers in all labour market areas across the country by April 1992.

Canada Employment Centres

EIC comes into direct contact with Canadians through the Canada Employment Centres. Small-business enterprises can receive various kinds of assistance at the nearest Canada Employment Centre:

- help in finding qualified permanent staff either from the local labour market or through the National Job Bank;
- referrals to Agricultural Employment Services offices, which help in recruiting casual, seasonal and permanent farm workers;
- small business co-ordinators who can provide program information, counselling and seminars to companies with fewer than 100 employees;
- a human resource planning staff to help plan future employment requirements so businesses have the right number of workers with the right skills at the right time;
- help in locating and hiring foreign workers if appropriately skilled Canadian workers are unavailable;
- advice on how best to structure company unemployment insurance and supplemental benefits; and
- meeting staffing needs by participating in on-the-job training through the Canadian Jobs Strategy.

Business Development Centres

An integral part of community development strategies, these centres assist small businesses in rural and remote communities to obtain financing. They provide both technical and financial assistance. There are 200 BDCs currently active, making loan guarantees or equity investments of up to $75 000 per local small business. For further information contact:

EIC Head Office

Place du Portage, Phase IV
140 Promenade du Portage
HULL, Que.
K1A 0J9

Tel.: (613) 994-6313
Fax: (819) 953-4795

EXTERNAL AFFAIRS AND INTERNATIONAL TRADE CANADA

External Affairs and International Trade Canada (EAITC) serves Canadians at home and abroad and ensures that Canada's voice is heard internationally.

The department:

- supports the export marketing efforts of Canadian business through the Trade Commissioner Service and by enhancing access for Canadian goods and services in world markets;
- promotes Canada's economic, political, security and other interests, both bilaterally and through international institutions;
- promotes foreign investment in Canada and tourism to Canada as well as assisting Canadians to access foreign technologies in order to improve their competitiveness;
- provides development assistance and emergency relief in developing countries in cooperation with CIDA; and
- advises the government on international developments and on the international implications of domestic policies. For further information, contact:

EAITC Head Office
External Affairs and International Trade Canada
125 Sussex Drive
OTTAWA, Ont.
K1A 0G2

World Information Network for Exports
The World Information Network for Exports (WIN Exports) is a computer-based information system designed by EAITC to help Canada's trade development officers abroad match foreign needs to Canadian capabilities. It provides users with information on the capabilities, experience and interests of more than 30 000 Canadian exporters. For registration call: (613) 996-5701.

Technology Inflow Program
Managed by EAITC, and delivered domestically by NRC, this program is designed to help Canadian companies locate, acquire and adopt foreign technologies by promoting international collaboration. ISTC also helps in program promotion. More than 60 trained officers, posted in 39 diplomatic and trade posts in the U.S. and abroad, respond to requests to identify technology sources and opportunities for cooperation between Canadian and foreign firms. Service is also provided for exploratory visits abroad by Canadian businesspeople to identify and gain firsthand knowledge of relevant foreign technologies as well as to negotiate to acquire them.

International Trade Centres
To support the exporting efforts of Canadian firms, International Trade Centres have been established across the country as a first point of contact. Located within the regional offices of ISTC, the centres operate under the guidance of EAITC. They help companies determine whether or not they are ready to export, they assist firms with marketing research and they provide access to government programs designed to promote exports. For information call specific ITCs across Canada.

Investment Development Program
This program helps Canadian companies find the investment they need. It actively promotes investments that take the form of new plants and equipment, joint ventures or strategic partnerships. It is especially interested in attracting investment that introduces new technology into Canada, a key to creating new jobs and new economic opportunities. Investment officers are located in several Canadian missions abroad to make contact with foreign investors and bring them together with Canadian companies. For information call: (613) 993-7348.

Program for Export Market Development
Administered by ISTC regional offices and funded by EAITC, this program seeks to increase export sales by sharing the costs of industry-initiated activities aimed at developing export markets. Activities eligible for PEMD financial support (up to 50 percent of the costs) include:

- participation in recognized foreign trade fairs outside of Canada;
- trips to identify export markets and visits by foreign buyers to Canada;
- project bidding or proposal preparation at the pre-contractual state for projects outside Canada;
- the establishment of permanent sales offices abroad in order to undertake sustained marketing efforts; and
- special activities for non-profit, non-sales food, agriculture and fish organizations, marketing boards and agencies, for example, trade fairs, technical trials and product demonstrations.

Support is also provided for certain types of government-planned activities, such as outgoing trade missions of Canadian business representatives and incoming missions to Canada of foreign business and government officials who can influence export sales. For information call: (613) 996-7200.

New Exporters to Border States
The New Exporters to Border States (NEBS) program takes groups of businesspeople through the process of exporting, including documentation, customs clearance procedures, discussions of banking, insurance, agents and distributors, as well as a visit to a U.S. border post. Surveys suggest that approximately 55 percent of those participating in NEBS will become exporters within 18 months. It is estimated that the 1989–90 NEBS effort may bring Canada as much as $25.4 million in export earnings over a similar period. For information call: (613) 991-9474.

New Exporters to the U.S. South
The New Exporters to the U.S. South (NEXUS) program helps companies that have traded just across the border to expand their activities into other U.S. regional markets by involving them in sectoral missions, trade fairs and briefings. Since its beginning in the summer of 1989, the program has co-ordinated and hosted 14 missions into the U.S., and companies participating in it already report $12 million in new sales. For information call: (613) 991-9479.

New Exporters to Overseas
NEXOS encourages companies that have traditionally exported to the U.S. to consider markets offshore. Companies participating in NEXOS missions generally are selected on the basis of having experience with sustainable and successful export trade to the U.S. Designed to introduce small- to medium-sized Canadian companies to European business practices, the number of NEXOS missions will increase from four to nine in the coming year. While business contacts and even deals may be cultivated during a mission, the primary emphasis is on learning the business climate of new markets. NEXOS covers a participant's return airfare, ground transportation and hospitality services. Companies wishing more information may contact their regional International Trade Centre or call Info Export toll-free at: 1-800-267-8376 (Ottawa area: 993-6435). Information is also available from EAITC's Western Europe Trade and Investment Development Division. Call: (613) 996-3298.

International Financing
EAITC helps Canadian exporters interested in pursuing multilateral business opportunities financed by international financing institutions (IFI). Canadian exporters and trade associations can access market data, obtain a better understanding of the competition, and determine if an IFI-funded market opportunity is practical and worth pursuing. EAITC can provide information and advice on the available Canadian government-funded assistance programs and can assist companies in developing effective export marketing strategies.

Contact the EAITC Export Finance and Capital Projects Division:
Tel.: (613) 995-7251
Fax: (613) 996-9265.

Canada Export Award
The Canada Export Awards of EAITC specifically search out small businesses for special recognition. The exporting contributions of small businesses and entrepreneurs are recognized by provincial and municipal governments and within private-sector groups as well. For information call:
(613) 996-2274
Fax: (613) 996-8688.

Info Export Centre
The centre suggests how to start exporting; gives advice on export programs and services; helps find fast answers to export problems; acts as the entry point to EAITC's trade information network; and sends copies of specialized export publications. For information call 1-800-267-8376.
(Ottawa area: 993-6435)
Fax: (613) 996-9709

FEDERAL BUSINESS DEVELOPMENT BANK

The FBDB is a crown corporation that promotes the creation and development of business in Canada. It provides a range of flexible financial and management services to owners of small- and medium-sized enterprises from around the country.

Financial Services
The FBDB's financial services include loans and loan guarantees for business expansion, acquisition of fixed assets and the purchase of existing businesses. Working capital loans can also be granted to finance increasing sales.

For companies with high growth potential but little access to capital markets, the FBDB, through its Venture Capital Division, is prepared to purchase shares in a business or to work with other financial institutions to help clients obtain equity financing.

Recently the FBDB introduced two new financial programs: the Cultural Industries Development Fund (CIDF) and Venture Financing.

CIDF is a $33 million fund that provides from $20 000 to $500 000 in financing to companies involved in book and magazine publishing, film and video production and sound recording. Recipients of CIDF funding can also obtain counselling services through the FBDB's CASE program at half the normal cost.

Venture Financing is an innovative program that allows owners and managers of small- and medium-sized businesses to acquire equity capital for important developmental projects without relinquishing control or diluting ownership. Loans made under this program have no set limit and the flexible repayment terms include a low, fixed interest rate and a royalty based on sales.

Assistance through Management Services
The FBDB's training and counselling services are designed to help owners and managers of small- and medium-sized businesses adopt the best practices necessary for growth and prosperity in the rapidly changing global economy.

The following services have been structured to benefit young people starting their first businesses, as well as experienced owners and managers running well-established firms:

- Business Management Seminars provide information to entrepreneurs interested in becoming more efficient in running their businesses. Full- and half-day seminars on some 20 topics including general management, marketing, finance and personnel.

- Business Management Courses assist businesspeople in becoming better managers. A total of 16 courses divided into 10 three-hour sessions use techniques such as case studies and role-playing.

- Joint Workshops and Seminars help men and women improve their basic business skills. Developed by FBDB in conjunction with other business groups and organizations.

- Community Business Initiatives (CBI) bring together owners and managers of non-competitive businesses for 40 hours of workshops and 40 hours of counselling over a 12-month period. Each workshop is headed by a local businessperson who leads discussions on goal-setting, financing, budgetting, record-keeping, advertising, cash flow, management and numerous other topics chosen by the participants. After each workshop, the leader counsels each participant on how to apply the ideas covered in the workshops.

The Voice of Experience: CASE
All Canadian businesses with up to 75 employees qualify for CASE services.

Counselling Assistance for Small Enterprises (CASE) matches an entrepreneur with a retired businessperson skilled in a particular aspect of business. The CASE counsellor analyzes the entrepreneur's problem, recommends solutions, and may even work with the entrepreneur to implement any suggested changes.

Strategic Planning, another CASE service, defines what steps a business must take in order to ensure growth. A strategic plan covers such topics as positioning, competition, productivity, marketing and management. For new companies, the planning process helps organize staff, money, materials and equipment. For established firms it helps ensure competitiveness and long-term profitability.

Still another CASE service, Financial Planning, comprises two separate services designed to help businesspeople secure loans. Packaging is a service whereby the FBDB analyzes a proposed or existing business and prepares an assessment report for the lender. Intermediation is a service whereby FBDB acts as an intermediary and presents the report to the lending institution on the borrower's behalf.

Helpful Sources: Publications
Minding Your Own Business
The factual information in these pocket books helps owners and managers of small- and medium-sized businesses run their companies successfully. The four books in the series are entitled *General Small Business Management, Retailing, Manufacturing* and *Service Business*.

Do-It-Yourself Kits: These mini-courses teach entrepreneurs how to put basic business principles to good use. The five kits in the

series are entitled *Arranging Financing, Forecasting and Cash Flow Budgeting, Analyzing Financial Statements, Evaluating the Purchase of a Small Business,* and *Credit and Collection Tips.*

Profit$: This quarterly tabloid newspaper keeps businesspeople abreast of the events, issues, people and places on the Canadian small business scene. It is distributed free of charge to all registered businesses in Canada.

Contact:

FBDB Head Office
800 Victoria Square
Tour de la Place Victoria
MONTREAL, Que.
H4Z 1L4

Tel.: 1-800-361-2126
Fax: (514) 283-0617

MULTICULTURALISM AND CITIZENSHIP CANADA

Multiculturalism Secretariat
The role of the Multiculturalism Secretariat is to provide information and, where possible, enhance the awareness of the ethnocultural business community to the services and programs available to assist them in penetrating overseas markets. The secretariat also works with the Canadian business community in general to promote the wealth of expertise, knowledge and advantages to trade that exist through linkages with the ethnocultural business community.

The business and multiculturalism portfolio is designed to work in conjunction with other government efforts and to complement rather than duplicate services already offered. The secretariat co-operates with other federal departments, agencies and non-governmental organizations such as External Affairs and International Trade, Industry, Science and Technology Canada, Investment Canada, Export Development Corporation; Canadian Chamber of Commerce, Federal Business Development Bank, etc. In addition, the secretariat fosters lateral networking and communication with ethnocultural business organizations.

Competitiveness and Trade
Canada's ethnocultural business community is a strong force in increasing Canada's competitive position in the global market place. An Industry, Science and Technology study noted that ethnocultural entrepreneurs have an above-average ability to penetrate overseas markets due to their linguistic skills and cultural knowledge. The secretariat wants to ensure that these businesses have access to government programs, market development skills, information on business opportunities and are aware of the financing available. At the same time, the secretariat wants the Canadian business community to be aware of the variety of ethnocultural skills possessed by individuals and how they can be used to nurture international trade.

Video
A recently produced bilingual video *The Changing Face of Canadian Business* outlines the economic contribution of Canada's dynamic cultural diversity, the challenges of fully utilizing multicultural resources and the economic benefits to the entrepreneur and Canada in serving the diverse ethnic market both in Canada and abroad.

DIVERSITY – the Newsletter
The secretariat has launched a quarterly newsletter aimed at the ethnocultural business community to address the information needs of this community. In addition, the newsletter provides invaluable information to Canadian business in general on the activities and opportunities generated by this sector. Copies of the newsletter can be obtained by writing:

Diversity
Multiculturalism Secretariat
Multiculturalism and Citizenship Canada
OTTAWA, Ont.
K1A 0M5

Fax: (819) 953-2425

Multiculturalism Means Business – Directory
The secretariat publishes a directory of ethnocultural business associations, advisory boards and bilateral trade organizations. It is an excellent source of information and help for international trade. Copies can be obtained from the above address.

Statistical Profiles
Multiculturalism and Citizenship Canada (MCC) is in the process of preparing demographic ethnocultural and entrepreneurial profiles. Consult your nearest MCC regional office for those subjects currently available.

Ethnocultural Business Advisory Committees
In co-operation with the Federal Business Development Bank, the secretariat sponsors these committees in most major centres. The committees act as a catalyst in disseminating information to member organizations, share expertise among members and provide advice and guidance on programs and policies to various government departments and agencies on the ethnocultural side of business development.

MCC Regional Offices
MCC regional offices have an officer whose responsibilities include business issues. Most publications, names of local ethnocultural business association executives and other business-related information can be obtained from this officer. Contact the Liaison Officer, Multiculturalism Means Business, Multiculturalism and Citizenship Canada.

Newfoundland and Labrador
Box 75
Atlantic Place
215 Water Street
ST. JOHN'S, Nfld
A1C 6C9

Tel.: (709) 772-2483
Fax: (709) 772-2275
TDD: (709) 772-4564

Nova Scotia
5281 Duke Street
HALIFAX, N.S.
B3J 3M1

Tel. :(902) 426-4334
Fax: (902) 426-5428
TDD: (902) 426-9522

New Brunswick
504 – 860 Main Street
MONCTON, N.B.
E1C 1G2

Tel. :(506) 857-7068
Fax: (506) 851-7079
TDD: (506) 851-6988

Prince Edward Island
Suite 316
Dominion Bonding
97 Queen Street
CHARLOTTETOWN, P.E.I.
C1A 4A9

Tel. : (902) 566-7181
Fax: (902) 566-7189

Quebec
Guy Favreau Complex
200 René Lévesque Boulevard West
West Tower, 10th Floor
MONTREAL, Que.
H2Z 1X4

Tel. : (514) 283-5797
Fax: (514) 283-3449
TDD: 514 283-9397

Ontario
200 – 25 St. Clair Avenue East
TORONTO, Ont.
M4T 1M2

Tel.: (416) 973-8204
Fax: (416) 973-7540
TDD: (416) 973-6001

Manitoba
201 – 303 Main Street
WINNIPEG, Man.
R3C 3G7

Tel.: (204) 983-3607
Fax: (204) 983-5365
TDD: (204) 983-0050

Saskatchewan
200 – 2101 Scarth Street
REGINA, Sask.
S4P 2H9

Tel.: (306) 780-7292
Fax: (306) 780-6630
TDD: (306) 780-7289

Alberta
Northwest Territories
220 – 9700 Jasper Avenue
EDMONTON, Alta.
T5J 4C3

Tel.: (403) 495-3350
Fax: (403) 495-4873

British Columbia
Yukon Territory
800 Burrard Street
VANCOUVER, B.C.
V6Z 2N5

Tel.: (604) 666-2801
Fax: (604) 666-3508

NATIONAL RESEARCH COUNCIL

The National Research Council (NRC) works directly with Canadian firms of all sizes to develop and apply technology for economic benefit. As the government's largest scientific and technical research organization, the council supervises the Industrial Research Assistance Program (IRAP), a national network for the diffusion and transfer of technology.

Designed to help small- and medium-sized firms access technology, IRAP takes advantage of an extensive network that includes more than 250 regional and local officers, 60 provincial technology centres, the council's own laboratories and research institutes, federal government departments, and technology transfer officers in Canadian universities.

The IRAP network also extends abroad through the technology counsellors attached to Canadian posts in some 14 foreign countries. The IRAP network draws on Canada's science and technology establishment to assist industrial firms. Its experts work with firms to solve technical problems on an advisory and referral basis, assist in structuring R&D projects to reduce risk to companies and monitor IRAP-funded R&D projects.

The IRAP network supports the process of developing, accessing, acquiring, implanting and using technology throughout Canadian industry. IRAP has been in existence for 40 years and has acquired a reputation as one of the more flexible and effective federal programs. Closely linked to industry, the IRAP network is dedicated to helping companies develop a capability to commercialize technology. Each year, IRAP responds to some 30 to 40 000 technology-based problems and manages some 6 000 R&D projects. Its focus is mainly on smaller companies; more than 80 percent of the firms helped have fewer than 200 employees.

Head Office
IRAP Office
National Research Council
Montreal Road
Building M-55
OTTAWA, Ont.
K1A 0R6

Tel.: (613) 993-5326
Fax: (613) 952-1086

Newfoundland and Labrador
Viking Building
136 Crosbie Road
ST. JOHN'S, Nfld.
A1B 3K3

Tel.: (709) 772-5228
Fax: (709) 772-5067

Nova Scotia
c/o Technical University of Nova Scotia
1360 Barrington Street
Building A
P.O. Box 1000
HALIFAX, N.S.
B3J 2X4

Tel.: (902) 426-6264
Fax: (902) 426-1624

Prince Edward Island
35 First Avenue
West Royalty Industrial Park
CHARLOTTETOWN, P.E.I.
C1E 1B0

Tel.: (902) 566-7642
Fax: (902) 566-7641

New Brunswick
c/o Research Productivity Council
921 College Hill Road
P.O. Box 2000
FREDERICTON, N.B.
E3B 6C2

Tel.: (506) 452-3831
Fax: (506) 452-3827

Quebec
a/s Edifice du CRIQ
8475 Christophe Colomb Avenue
Suite E-58
MONTREAL, Que.
H2M 2N9

Tel.: (514) 283-7679
Fax: (514) 283-1915

Ontario
200 Town Centre Court
Suite 1101
SCARBOROUGH, Ont.
M1P 4X8

Tel.: (416) 973-4483
Fax: (416) 973-4303

Manitoba
c/o Industrial Technology Centre
1329 Niakwa Road East
WINNIPEG, Man.
R2J 3T4

Tel.: (204) 945-6133
Fax: (204) 983-8835

Saskatchewan
c/o Saskatchewan Research Council
15 Innovation Blvd.
SASKATOON, Sask.
S7N 2X8

Tel.: (306) 975-4714
Fax: (306) 975-4717

Alberta
c/o Alberta Research Council
250 Karl Clark Road
P.O. Box 8330, Station F
EDMONTON, Alta.
T6H 5X2

Tel.: (403) 495-6508
Fax: (403) 495-6510

British Columbia
c/o B.C. Research
3650 Westbrook Mall
VANCOUVER B.C.
V6S 2L2

Tel.: (604) 666-7244
Fax: (604) 666-7035

STATISTICS CANADA

Statistics Canada, the nation's central statistical agency, collects and publishes information on Canada's population, labour force, economic, social and cultural life.

The agency offers information on the socio-economic characteristics and activities of individuals, households and public institutions. It maintains our national accounting system, conducts studies of economic trends and produces vital information for the nation's performance in the global marketplace.

Governments use the information to develop policies and programs while businesses use it to research their markets, to measure their performance, to plan expansions and to prepare for changes in the market.

The Small Business and Special Surveys Division

The Small Business and Special Surveys Division is a group within Statistics Canada specializing in information "on" and "for" small business. Since its inception in 1988, the division has been funded entirely by cost-recovery projects.

The Small Business and Special Surveys Division is also responsible for the Small Business Statistics Program which is a collaborative effort among Statistics Canada, Industry, Science and Technology Canada and all provincial and territorial governments.

The products comprising the Small Business Statistics Program are:

- *The Small Business Profiles* present detailed financial expense ratios, operating ratios, balance sheet information and employment data for most industries by province and territory for the 1989 taxation year.
- *Employment Dynamics, Wages and Salary Earners* and *Employment and Payrolls by Business Size* show the number of businesses, payrolls, labour units, male/female distribution, newly-identified firms and firms no longer reporting, by employment size and by industry sector for all provinces and territories.
- *Small Business in Canada: A Statistical Summary* provides a distribution of incorporated and unincorporated small businesses by industry group and by revenue size as well as selected operating results and balance sheet items by industry sector for all provinces and territories.
- *Sales per Selling Area of Independent Retailers* outlines selling area information for 34 types of independent retail businesses for all provinces and territories. The report also presents statistical information for four metropolitan areas and for the five regions of Canada. Information on single and independently operated franchises in Canada is provided in the 1989 edition.

As part of its mandate to provide entrepreneurs with one-stop assistance in meeting all business information needs, the division has linked administrative records to survey information to produce low-cost, comprehensive data for clients with no additional imposition of response burden.

Statistics Canada also offers a consultation service on the development and analysis of custom-designed surveys. For more information, contact:

Small Business and Special Surveys Division
Business and Trade Statistics Field
Statistics Canada
OTTAWA, Ont.
K1A 0T6

Tel.: (613) 951-9045
Fax: (613) 951-1572

Reducing Response Burden and Protecting Confidentiality

Statistics Canada is working hard to reduce the work and time required by Canadians to provide essential information. In the last 10 years, Statistics Canada has reduced the total number of forms and questionnaires by more than 50 percent – even more for small businesses.

All information given to Statistics Canada through surveys, the census or any other source is confidential. Statistics Canada will not release any information that can identify an individual or organization.

Statistics Canada Regional Reference Centres

Statistics Canada's Regional Reference Centres provide a full range of the agency's products and services. Each centre is equipped with a library and a sales counter where users can consult or purchase publications, microcomputer diskettes, microfiche, maps and more. Also, Statistics Canada information is available through a network of several hundred depository libraries, as well as from provincial and territorial statistical agencies.

Last year, Statistics Canada Reference Centres handled more than 400 000 enquiries.

Each centre has facilities to retrieve information from computerized data retrieval systems, CANSIM and Telichart. Many valuable services such as seminars and consultations are offered. Call or write the nearest Regional Reference Centre for information.

Regional Reference Centres

Newfoundland and Labrador
3rd Floor
Viking Building
Crosbie Road
ST. JOHN'S, Nfld.
A1B 3P2

Local calls: 772-4073
Toll free: 1-800-563-4255

Maritime Provinces
North American Life Centre
1770 Market Street
HALIFAX, N.S.
B3J 3M3

Local calls: 426-5331
Toll free: 1-800-565-7192

Quebec
Guy Favreau Complex
200 René Lévesque Boulevard West
Suite 412
East Tower
MONTREAL, Que.
H2Z 1X4

Local calls: 283-5725
Toll free: 1-800-361-2831

Ontario
10th Floor
Arthur Meighen Building
25 St. Clair Avenue East
TORONTO, Ont.
M4T 1M4

Local calls: 973-6586
Toll free: 1-800-263-1136

National Capital Region
R.H. Coats Building
Tunney's Pasture
OTTAWA, Ont.
K1A 0T6

Local calls: 951-8116
If outside the local calling area, please dial the toll-free number for your province.

Manitoba
6th Floor
General Post Office Building
266 Graham Avenue
WININPEG, Man.
R3C 0K4

Local calls: 983-4020
Toll free:
1-800-542-3404

Saskatchewan
Avord Tower
9th Floor
2002 Victoria Avenue
REGINA, Sask.
S4P 0R7

Local calls: 780-5405
Toll free:
1-800-667-7164

Alberta and the Northwest Territories
8th Floor
Park Square
10001 Bellamy Hill
EDMONTON, Alta.
T5J 3B6

Local calls: 495-3027
Toll free: 1-800-282-3907

Northwest Territories call collect
(403) 495-3028

Southern Alberta
First Street Plaza
Room 401
138 – 4th Avenue Southeast
CALGARY, Alta.
T2G 4Z6

Local calls: 292-6717
Toll free: 1-800-472-9708

British Columbia
Yukon Territory
Federal Building
Sinclair Centre
757 West Hastings Street
Suite 440F
3rd Floor
VANCOUVER, B.C.
V6C 3C9

Local calls: 666-3691

Toll free service (except ATLIN, B.C.): 1-800-663-1551

Yukon and ATLIN, B.C.:
Zenith 08913

SUPPLY AND SERVICES CANADA

The regional offices of Supply and Services Canada (SSC) handle approximately 80 percent of contracts issued by the department. The headquarters directorates handle the larger, more complex national requirements which, while making up 20 percent of SSC's annual contract volume, represent approximately 80 percent of the department's business-dollar volume. When responding to a bid document, particular attention should be paid to the mandatory requirements. If clarification is needed, call the SSC contact identified in the invitation/request document, not the department on whose behalf it is being requested.

Open Bidding

Open Bidding is the latest SSC initiative designed to provide more opportunities to Canadian-based suppliers. Federal government requirements for goods valued at $25 000 and over are advertised in the Government Business Opportunities (GBO) bulletin and in the Notices of Proposed Procurement on the SSC Procurement Opportunities (GBO) Board, which provides electronic access through a micro-computer and modem. To register for the SSC Procurement Opportunities Board, call iNet Customer Service Centre, Telecom Canada, 1-800-267-8480 or the SSC Statistical Information and Data Management Group at (819) 956-3440.

To subscribe to the GBO bulletin, contact:

The Canada Communication Group
OTTAWA, Ont.
K1A 0S9

Tel.: (819) 956-4802
Fax: (819) 994-1498
Credit Card: (819) 956-4801

Supply and Services Canada also offers seminars, with accompanying publications, designed to simplify the procurement process and to provide advice on how to position companies to compete for a share of the federal government market. At these seminars, which are offered at a beginner's and at a more advanced level, potential suppliers are provided with basic information needed to sell to the federal government. Many common concerns raised by industry in its dealings with the federal government are dealt with and a variety of topics addressed. These seminars can also provide more direct contact with SSC headquarters operations, such as:

- Office Automation, Services and Information Systems Directorate (OASIS).
- Aerospace, Marine and Electronic Systems Directorate (AMES).
- Science and Professional Services Directorate (SPS).
- Industrial and Commercial Products Directorate.
- Canada Communication Group (CCG).

Contact:

Atlantic Directorate

Nova Scotia
(902) 426-8791

New Brunswick/Prince Edward Island
(506) 851-6752

Newfoundland and Labrador
(709) 772-5623

Quebec Directorate

Eastern Region
(418) 648-3248

Western Region
(514) 283-4863

Central Directorate

Ontario
(416) 670-6212/6211

National Capital Region
(613) 957-7129

Western Directorate

Manitoba
(204) 983-8226

Saskatchewan
(306) 780-7390

Alberta/Northwest Territories
(403) 495-3704, local 235

Pacific Directorate

British Columbia Mainland/
Yukon Territory
(604) 666-8443

British Columbia Islands Region
(604) 363-3522

Or write to:

Centre for Supplier Promotion
Supply and Services Canada
14A2, Place du Portage
Phase III
HULL, Que.
K1A 0S5

WESTERN ECONOMIC DIVERSIFICATION CANADA

Western Economic Diversification Canada (WD) provides financial assistance for projects which contribute to the diversification of the western economy. It acts as a pathfinder to ensure that western businesses are aware of and receive assistance from the most appropriate source of funding, federal or other, for their projects. It acts as an advocate for the west in national economic decision-making and it co-ordinates federal activities that have an impact on economic growth in the west.

Assistance for Small Business

Approximately two-thirds of WD's funded projects have been for amounts under $100 000 which have helped smaller firms in their diversification efforts. In addition, small businesses can access federal purchasing through the Western Procurement Initiative. Under this program, the federal government will purchase an additional $600 million in goods and services in the west over a four-year period ending in 1992.

Levels of Assistance

From August 1987 to May 1991, 1 700 small business projects, representing 79 percent of all approved projects, received a total of $271 million in funding. Applicants need only provide a brief written description of their proposals. Formal applications are not required.

Enquiries about the Western Diversification Program and other activities of the department are welcome and can be directed to any of the following regional offices:

Manitoba
P.O. Box 777
Suite 712
The Cargill Building
240 Graham Avenue
WINNIPEG, Man.
R3C 2L4

Tel.: (204) 983-4472

Saskatchewan
P.O. Box 2025
Suite 601
S.J. Cohen Building
119 – 4th Avenue South
SASKATOON, Sask.
S7K 5X2

Tel.: (306) 975-4373

REGINA toll free:
(306) 780-6725

Alberta
Suite 1500
Canada Place
9700 Jasper Avenue
EDMONTON, Alta.
T5J 4H7

Tel.: (403) 495-4164

CALGARY toll free:
(403) 292-5382

British Columbia
P.O. Box 49276
Bentall Tower 4
1200 – 1055 Dunsmuir Street
VANCOUVER, B.C.
V7X 1L3

Tel.: (604) 666-6256
B.C. toll free:
1-800-663-2008